

# Alpharetta

GEORGIA • USA

Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2006





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# INTRODUCTORY SECTION



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

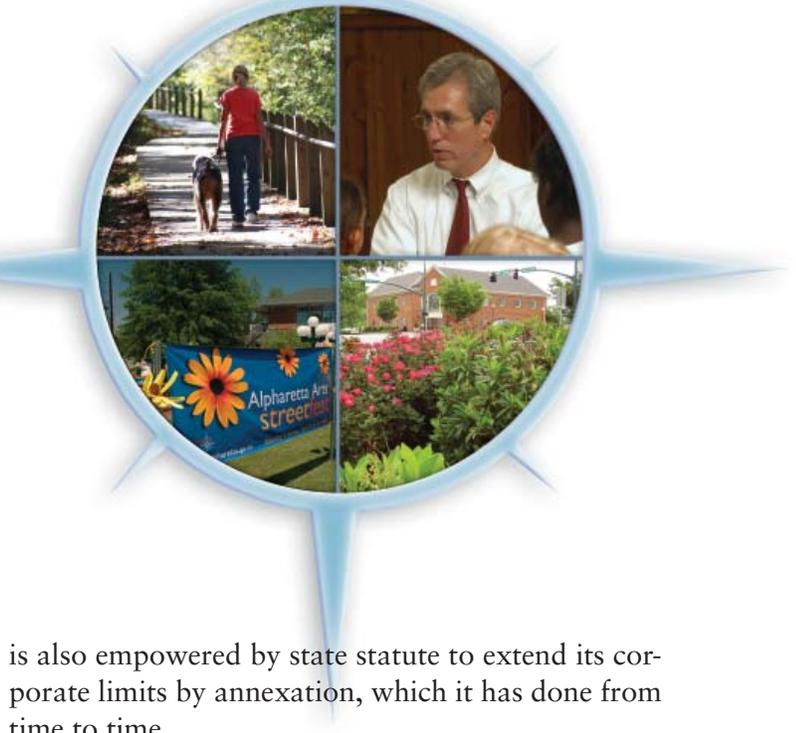
State law requires that every general-purpose local government publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended June 30, 2006. Management assumes full responsibility 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. Since 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, 2006. 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 complements 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 thirteen local governments within Fulton County. The City currently occupies a land area of 25.8 square miles and serves a population of 48,240. The City of Alpharetta is empowered to levy a property tax on both real and personal property located within its boundaries. It



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

The City operates under a strong mayoral 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 they 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 measurement. 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 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 to Alpharetta and continues through 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, and GE Consumer Finance, 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 1,100 building permits were issued for new construction starts val-

ued at \$237,147,264. 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 3% 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 Alpharetta Arts StreetsFest, a two day juried fine art festival in downtown Alpharetta. In addition, 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 60,000 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 region.

### **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 2006 of \$1,459,383 marks the eighth consecutive year a positive change in fund balance has occurred for this fund. 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 periods for pay-as-you-go capital proj-

ects and one-time non-recurring expenditures. For fiscal year 2006, \$10,000,000 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 2.62 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 2006, the City issued \$26,638,436 in general obligation bonds. The proceeds of these bonds consisted of four major projects, including Public Safety (\$3,265,000), Parks and Recreation (\$5,030,000), Greenway Space (\$2,075,000), and Roads/Traffic/Transportation Improvements (\$16,268,436).

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 2006. 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. Groundbreaking on this project occurred in the last quarter of fiscal year 2006. Further, the City will be home to the 12,000 seat amphitheater, which will be operated by the Atlanta Symphony Orchestra and owned by the Woodruff Arts center. The amphitheater will be located on Encore Parkway, which will include performing and visual arts

complex and education center. This project is expected to be complete by the summer of 2008.

## Relevant Financial Policies

Throughout the year, the Finance Department administers the governing council's approved Financial Management Program, which outlines the 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. A major section of this roadway opened to the public in 2006 allowing access from Gardner Drive to Old Milton Parkway. When complete, this parkway will enable the movement of traffic on a divided 4-lane road from its southern terminus of Mansell Road to its northern terminus at Windward Parkway. The proposed length of Westside Parkway is 5.93 miles.

Several public safety improvements were completed during fiscal year 2006. This includes the reopening of Fire station 5 and a new Fire station 6. The new fire station provides enhanced response times and emergency services to northwest Alpharetta. Groundbreaking for the police evidence building also occurred during this year. This building will be used to assist in the preservation of evidence.

Recreational and cultural activities will also be expanded in the next three years. Groundbreaking for

the environmental park occurred in the summer. In addition, the city's newest dog park affectionately named "Waggy World" opened in the summer of 2006. 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, 2005. This was the seventeenth 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.

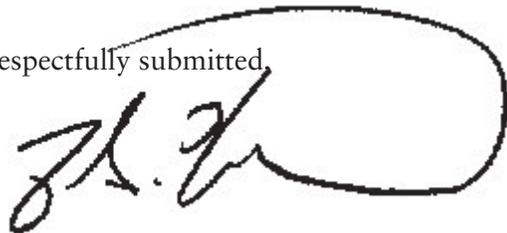
A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated July 1, 2005. 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, 2005. 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.

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,

A handwritten signature in black ink, appearing to read "I. S. Ham", enclosed within a large, hand-drawn oval shape.

Israel S. Ham  
Interim 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, 2005

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



*Carla E. Perry*

President

*Jeffrey R. Emer*

Executive Director

# ELECTED AND APPOINTED OFFICIALS

## Elected Officials

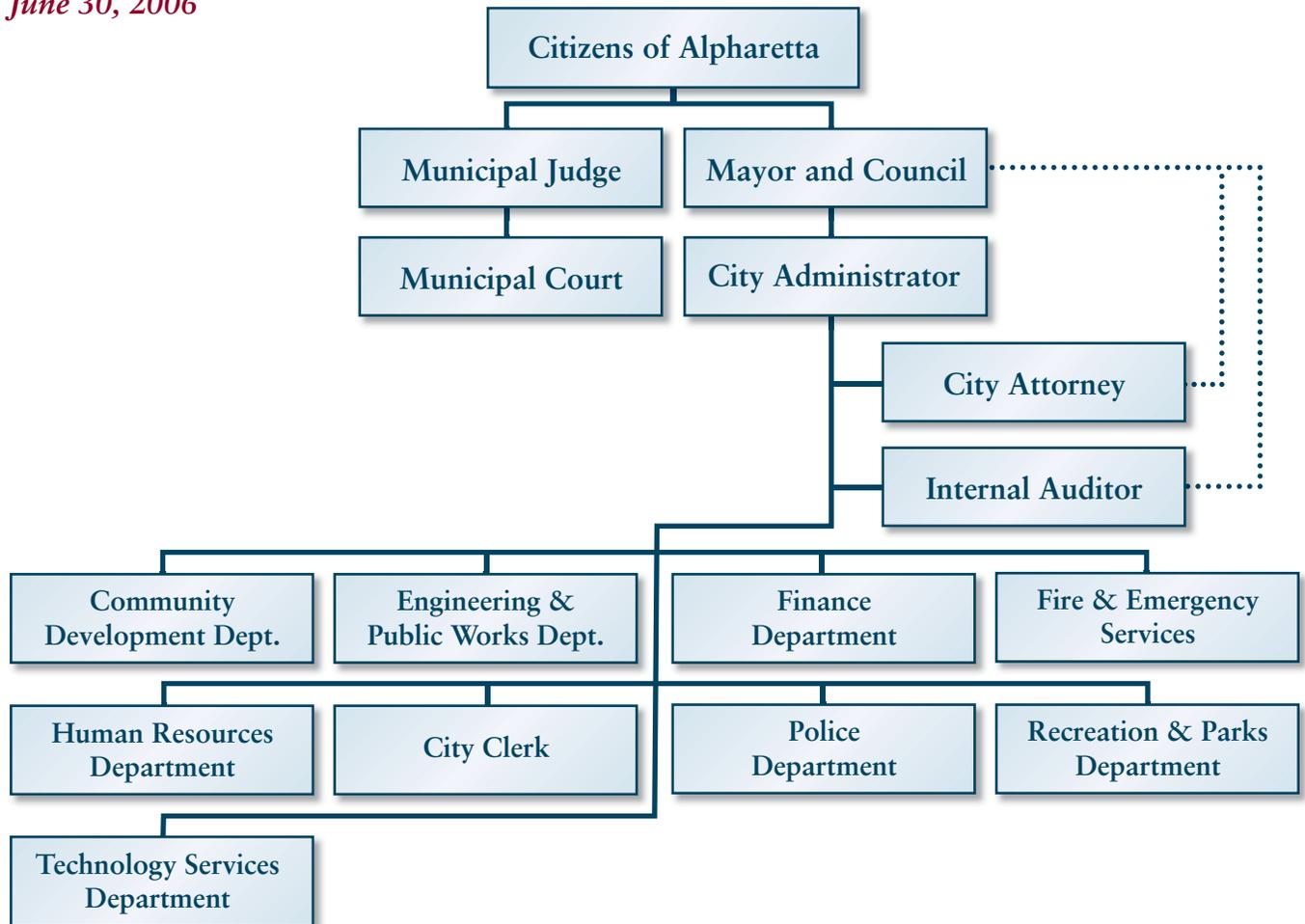
Mayor . . . . . Arthur Letchas  
 Council Member – Post 1. . . . . Doug DeRito  
 Council Member – Post 2. . . . . Jim Paine  
 Council Member – Post 3. . . . . John Monson  
 Council Member – Post 4. . . . . Debbie Gibson  
 Council Member – Post 5. . . . . David Belle Isle  
 Council Member – Post 6. . . . . D. C. Aiken  
 Municipal Judge. . . . . Jim Matoney

## Appointed Officials

City Administrator . . . . . Robert J. Regus  
 City Attorney . . . . . Sam Thomas  
 City Clerk . . . . . Sue Rainwater  
 Community Development Director . . . . Diana Wheeler  
 Engineering & Public Works Director . . John Moskaluk  
 Fire Chief . . . . . Keith Sanders  
 Human Resources Director/  
 Assistant City Administrator . . . . . Robbie Rokovitz  
 Interim Finance Director . . . . . Israel Ham  
 Court Clerk . . . . . Elizabeth Sahlin  
 Police Chief . . . . . Ed Densmore  
 Public Safety Director. . . . . Gary George  
 Recreation & Parks Director . . . . . Mike Perry  
 Technology Services Director . . . . . Robert Mullis

# CITY OF ALPHARETTA ORGANIZATIONAL CHART

*June 30, 2006*



# COMMITTED TO EXCELLENCE IN



**2.6 million**  
visits to  
**www.alpharetta.ga.us**

**\$2.1 million**  
in grant funds

As an open and responsive government, the City of Alpharetta distributed 48,000 newsletters to our citizens and received 2,650,000 visits to our city's website, demonstrating our commitment to transparency in government and providing valuable information to our community. Beyond public information, while effectively managing 26 existing city grants, 12 out of 22 submitted grant applications were approved and received funding during fiscal year 2006, bringing an additional \$2,187,395 in federal, state, and county grant dollars to

the city. The 54.5% grant application approval ratio represents a 14.5% increase over last fiscal year. The \$2.1 million of non-tax dollars were used for a variety of projects, including the purchase of bulletproof vests for our police officers, the design and upcoming construction of a downtown greenway, the completion of a tree inventory in downtown Alpharetta, and the construction of a green roof pavilion and bio-retention facility at the environmental park.

"I'm very proud of our active pursuit of grant funding to benefit the city. Alpharetta vigorously searches for every grant dollar available, ranging from funding to improve the roads our residents drive to the parks our families enjoy. This dedication demonstrates that we make the most of our residents' tax dollars and helps to build a trust between the city and our citizens."

- *D.C. Aiken*  
Councilmember



# GENERAL GOVERNMENT

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



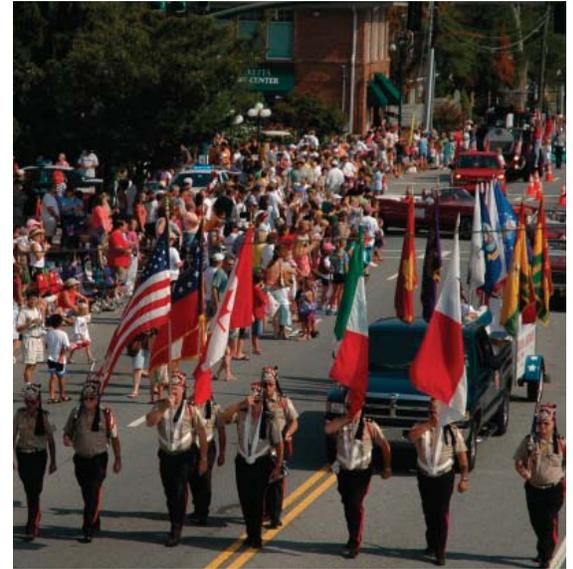
## DID YOU KNOW?

In 2001, the Mayor and Council established the City of Alpharetta's Youth Council, consisting of 16 high school juniors and seniors who want to take an active role in addressing youth issues while seeking knowledge in local municipal government operations, discussing principles of effective, efficient and fiscally responsible governance, and improving intergovernmental relations and services. Each year, high school students who apply and become appointed to the Youth Council choose a city-planning project that focuses on enhancing the quality of life for the Alpharetta community and supplements the classroom learning environment. The project incorporates the students' present knowledge and insight, faculty input and guidance,

and outside research, information, data and wisdom gathered from Alpharetta Council members and staff. The members of the Youth Council build leadership experience, complement their academic record, and enhance their competitiveness in their higher education endeavors while improving our community. During fiscal year 2006, the Youth Council completed an analysis of the sidewalk needs and priorities for downtown Alpharetta, presenting their findings to the council during a council workshop. For more information about the City of Alpharetta's Youth Council, please contact Robbie Rokovitz, the Assistant City Administrator, at (678) 297-6014 or [rrokovitz@alpharetta.ga.us](mailto:rrokovitz@alpharetta.ga.us).

# COMMITTED TO EXCELLENCE IN

**57** special events  
with approximately  
**148,400** attendees



Through partnerships with volunteers, local businesses, and community groups, the city's Special Events provides a variety of fun, family-oriented events, ranging from the Alpharetta Fun Fest to the Old Soldiers Day Parade and from the Mayor's Challenge to Old Milton County Fair, offering safe and inclusive activities while further enhancing the quality of life of our citizens and visitors. During fiscal year 2006, with the assistance of 330 volunteers, there were 57 Special Events, including 35 city-exclusive and 22 non city-exclusive events. Attendance at these events was approximately 148,400, including the largest events bringing

68,000 attendees to the Tour de Georgia and 56,000 attendees at the Taste of Alpharetta. In fiscal year 2006, Special Events expanded to include the Alpharetta Arts StreetFest and the Downtown Alpharetta's Farmers Market. Alpharetta Arts StreetFest presented beautiful works of art, live music, and theatrical performances in the heart of historic downtown Alpharetta; the Downtown Alpharetta's Farmers Market supports development of the local agricultural economy and fosters goodwill in our great community. For 2007's upcoming events, please see the Calendar of Events on page 22.

"While seeking my seat on City Council, I observed many things that Alpharetta has been doing well and other areas we can improve. The City Council and staff are already providing their guidance and feedback on my campaign initiatives, and I look forward to committing my time and energy to meeting the expectations of our citizens, employees, visitors, and business community."

- David Belle Isle  
Councilmember



# GENERAL GOVERNMENT

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

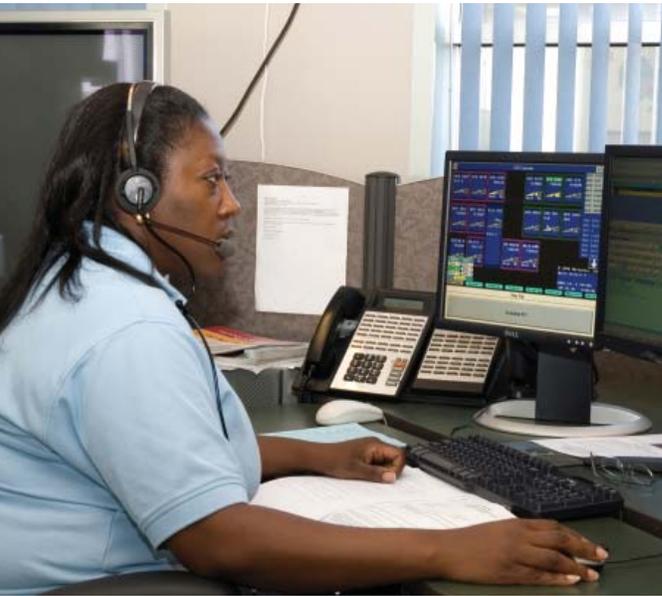


## DID YOU KNOW?

The City of Alpharetta held the first annual Alpharetta Arts StreetFest, a two-day juried fine arts festival in April 2006. Set against the backdrop of our historic downtown, the festival featured original works of art and high-quality, handmade craft by artists from throughout the South. The Alpharetta Arts StreetFest offered residents and race spectators the opportunity to stroll through the streets of downtown experiencing fine art, live music, and cultural arts performances throughout

the weekend. Artist tents lined Milton Avenue, with festival cuisine and entertainment adding to the fun, family-oriented atmosphere. The Alpharetta Arts StreetFest featured "Art in Action," a children's interactive art area, offering young artists the opportunity to create their own original artwork at the festival. The Alpharetta Arts StreetFest was a huge success and we are looking forward to many more festivals in the future.

# COMMITTED TO EXCELLENCE IN



Fire and Emergency  
Services responded to

**192** Fire and  
**2,665** Medical  
incidents

With the objective of providing the best possible fire and emergency medical services to our community, the Alpharetta Fire and Emergency Services Department responded to 5,113 incidents with an average response time of 5.48 minutes in fiscal year 2006. In addition to zero fire deaths, 90% of properties were saved, representing a 3% increase over the prior fiscal year. Beyond emergency responses, in fiscal year 2006, 165 fire safety programs, including fire safety, kitchen safety, and driving under the influence (DUI) classes were

conducted in preschools, elementary schools, and high schools in our area; 6,448 new and existing buildings were inspected for fire safety; and 773 building plans were reviewed for fire safety and emergency preparedness. Additionally, there were 12,860 total training hours at the Roswell/Alpharetta Public Safety Training Center for staff and volunteers. Through the training, dedication, and hard work of our valued Fire and Emergency Services personnel, lives are saved and property is protected.

"The service provided by our Fire and Emergency Services staff exemplifies a high level of dedication to our citizens' well-being and to the safety of our community. As a citizen, I am grateful for having extremely committed and professional employees in Public Safety who make an effort to help every citizen."

- Doug DeRito  
Councilmember



# PUBLIC SAFETY

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 encourage participation between officers and citizens, to maintain strong partnerships with our community, to maximize the saving of lives, to minimize the loss of property and avoid loss whenever possible through prevention and education.



## DID YOU KNOW?

The Community Emergency Response Team (CERT) program educates volunteers about disaster preparedness and trains them in basic disaster response skills, including fire safety, light search and rescue, and disaster medical operations. Using their training, CERT members can assist citizens and others in their neighborhoods, workplaces, and community in a disaster emergency. In addition to providing disaster emergency assistance, CERT members support multiple community-based

events, including the Tour de Georgia, the Breast Cancer Walk, and the Taste of Alpharetta, providing valuable services to our community. During fiscal year 2006, 26 CERT members were trained. The Alpharetta CERT program is open to volunteers 18 years or older with no criminal history. There is no residency requirement and classes are taught at the Roswell/Alpharetta Public Safety Training Center. For more information, please contact Lieutenant Gary Robinson at 678-297-6293.

# COMMITTED TO EXCELLENCE IN

Police Services made

over **2,300** arrests,

and issued

**16,000** citations

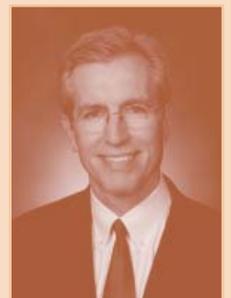


The Alpharetta Police Department is a modern, progressive law enforcement agency, providing a wide array of services to our community, ranging from an Armed Robbery Awareness Program to a Vacation Safety Program. In addition to providing informative education and prevention programs, Police Services received 61,569 calls for service, responded to 2,837 traffic accidents, and focused on 5,755 reported crimes during fiscal year 2006. As a result of the dedication and hard work of our officers, there were 2,363 total arrests, including 461 Driving Under the Influence (DUI) arrests, throughout the year. In addition, fiscal year 2006 was the first year for the city's Red Light Camera program, a

city-wide safety program to reduce the number of red light violations and intersection crashes. As a result of the new proactive approach to promote intersection safety, 20,378 red light camera citations were issued at five major intersections throughout the city, further enhancing the safety of our community. Of the 16,100 citations processed in 210 court sessions in fiscal year 2006, \$1,634,223 were received in fines and forfeitures. In addition to providing funding for a drug treatment and prevention program as well as a victim assistance program, the collected fines and forfeitures support an indigent legal defense assistance program to qualified parties and provide retirement benefits for peace officers.

*"From traffic safety to crime suppression to community watch programs, our law enforcement professionals take a proactive approach to creating and maintaining an environment of order and peace for our residential and business community."*

*- Bob Regus  
City Administrator*



# PUBLIC SAFETY

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 encourage participation between officers and citizens, to maintain strong partnerships with the community, to maximize the saving of lives, to minimize the loss of property and avoid loss whenever possible through prevention and education.



## DID YOU KNOW?

The Alphaletta Police Explorers Post 919, a division of the Boy Scouts of America, is a non-profit, community-based program offered through the Alphaletta Police Department. The program, open to males or females ages 14 - 21, is designed for individuals with a sincere interest in the law enforcement profession and seeking guidance from those professionals who are already established in this respectable field. The Explorers participants

gain valuable hands-on experience and knowledge from their advisors while developing self-respect, self-confidence, and high ethical standards necessary to succeed in all types of professions. In addition to gaining valuable experience, Explorers assist with numerous community-based events in the city and attend competitions throughout the Southeast. For more information, please visit [www.alphaexplorers.com](http://www.alphaexplorers.com).

# COMMITTED TO EXCELLENCE IN



**506** park land acres  
and  
**26%** increase in  
registrations

Providing year-round sports, activities and events for individuals of all ages and all skill levels, the Alpharetta Recreation and Parks Department is nationally accredited and recognized for its outstanding programs for children, adults, and seniors. During fiscal year 2006, there was a 26% increase in the total number of registration transactions, from 25,000 in fiscal year 2005 to 31,499 in fiscal year 2006. There was an average daily city pool attendance of 225 and 660 participants enrolled in swim lessons. In addition, there were 15 athletic camps held, including the new Wills Park Extreme Summer Camp.

While maintaining 306 park acres, 200 greenway acres, and 28 athletic fields, there were 2,649 adult participants and 2,963 youth/teen participants in a variety of athletic programs, ranging from baseball to soccer. There were 752 participants in dance and 297 participants in youth/adult art classes. At Wills Park, there were 166 days of equestrian shows, dog shows, and other recreational events for our community. All of these excellent recreational programs provide participants with an opportunity to meet new friends, become physically fit, and acquire new skills.

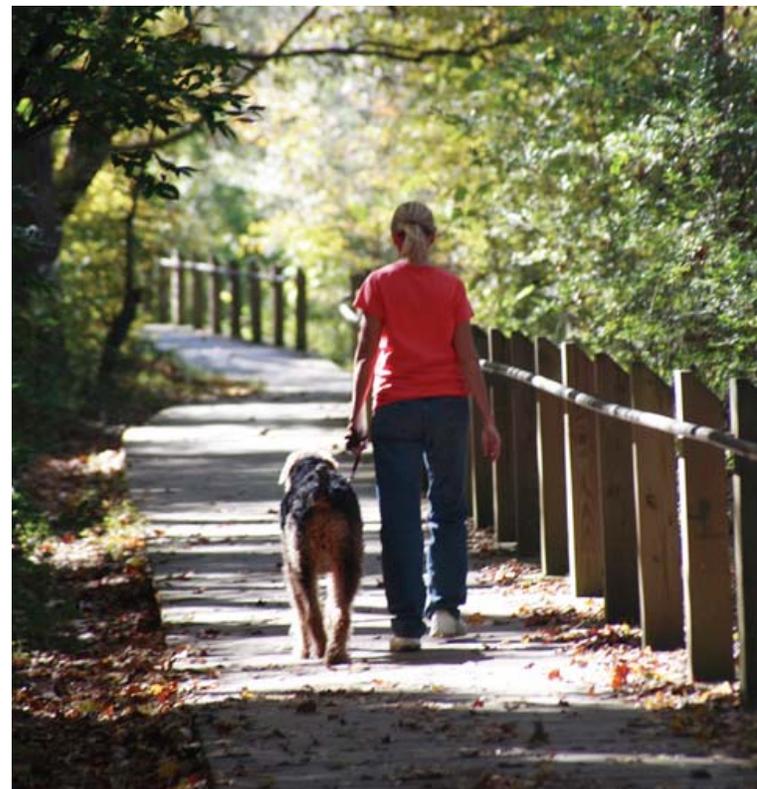
"Our recreational facilities within the city help promote a more active lifestyle for citizens of all ages. Everyone can find something enjoyable to do, whether it is playing in our organized sports leagues or participating in our art classes or exercising on the greenway. Our award winning Recreation and Parks Department definitely sets us apart from other cities."

- Jim Paine  
Councilmember



# CULTURE AND RECREATION

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.



## DID YOU KNOW?

In Alpharetta, the Big Creek Greenway is primarily a 12-foot wide, approximately 6.2 mile long concrete path, meandering through a natural wooded area along Big Creek, running parallel to North Point Parkway from Mansell Road to Webb Bridge Road. In addition, there is a mulch trail encircling a large wetland area between Haynes Bridge Road and Mansell Road. Wildlife, including blue heron, deer, ducks, and Canadian geese can be seen from

the trail or from the observation deck of this beautifully preserved water setting. Long-term plans include: extending it north to Windward and south to the Roswell city limit. The Big Creek Greenway provides an outstanding opportunity to enjoy nature, get some fresh air, and exercise for better health. For more information, please contact the Alpharetta Recreation and Park Department at 678-297-6100.

# COMMITTED TO EXCELLENCE IN

**90%** of capital  
construction completed  
within **10%** of  
original contract amount



While effectively and efficiently managing 58 capital construction projects with a combined value of \$14,833,000, 90% of contracts were completed within 10% of the original budget contract and 65% of them were completed within 10% of the original time contract. Beyond capital construction, Engineering/Public Works completed 5,377 land disturbance inspections, 229 traffic complaint responses, 670 pothole repairs, 152 traffic signal maintenance requests, 162 storm drainage

maintenance requests, and 15 traffic calming information/installations requests. While maintaining the infrastructure of our growing city, with the assistance of 1,916 volunteers, representing a 186% increase in volunteer participation, the Engineering/Public Works department coordinated 16 environmental conservation events to protect our environment, encourage recycling, and beautify our great city, making it a better place to live and work for our citizens and visitors.

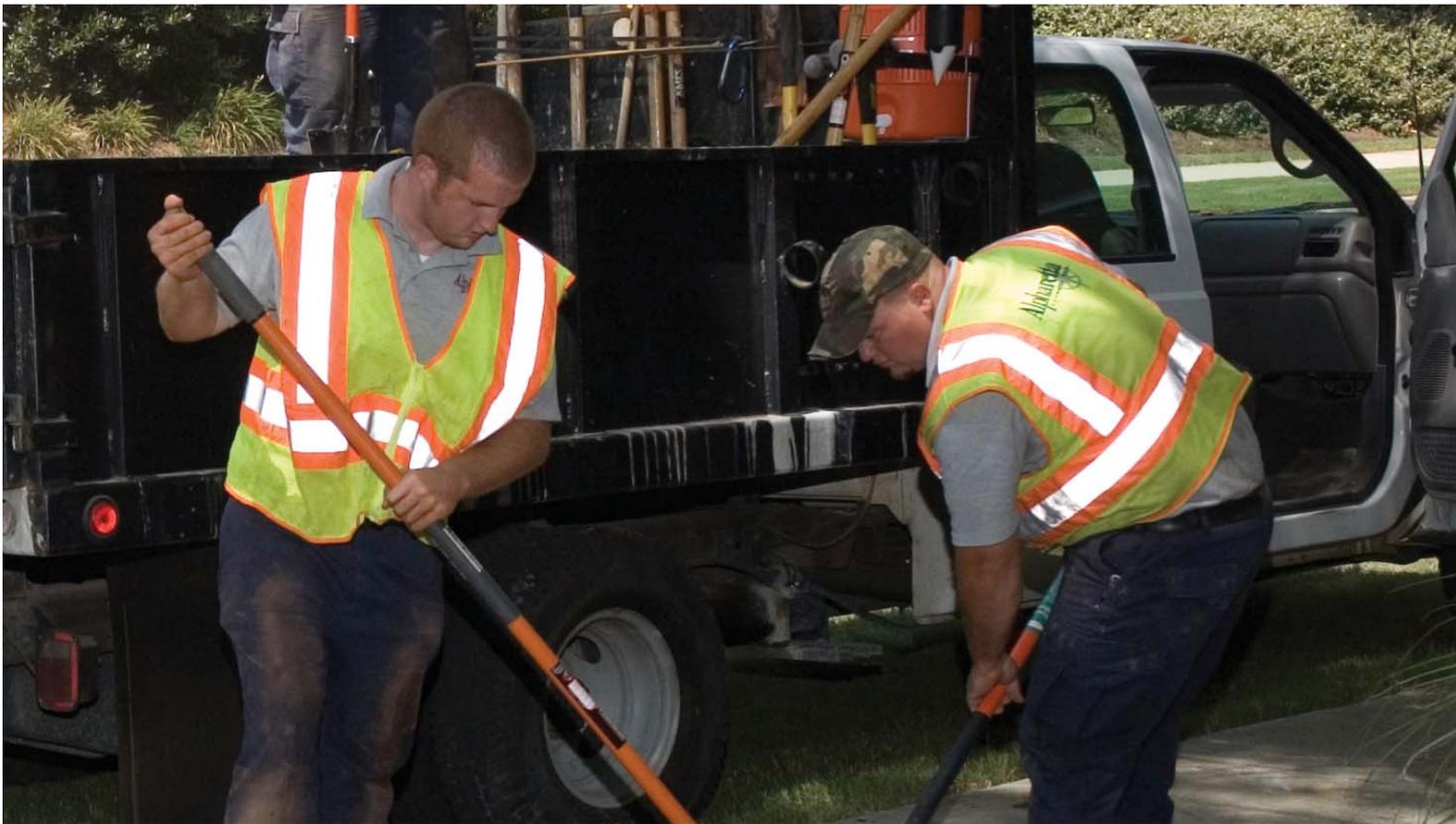
*"As a growing city with a daytime population over 100,000 people, we find ourselves facing continuous challenges with the flow of traffic. We are working hard and earnestly to improve intersections, build additional phases of Westside Parkway, and synchronize traffic signals throughout the city to help alleviate our traffic challenges and provide our residents with an improved commuting environment."*

*- John Monson  
Councilmember*



# PUBLIC WORKS

The Public Works function is committed to providing cost effective engineering and maintenance design solutions, ensuring the City of Alpharetta's infrastructure is protected, preserved, and improved while enhancing and promoting the quality of life of our citizens and residents.



## DID YOU KNOW?

During Fiscal Year 2006, the City of Alpharetta was awarded \$800,000 from the Georgia Department of Transportation, Transportation Enhancement Program and the Federal Highway Administration, for the construction of a downtown greenway for walking and biking trails, demonstrating our

commitment to improving our great city and meeting the infrastructure and recreational needs of our community. We are focused on enhancing our transportation network for the future, including public roadway, greenway spaces, and walking/biking trails for residents and visitors alike.

# COMMITTED TO EXCELLENCE IN



Over **6,000**  
parcels were annexed,  
and  
**\$5,500** was received  
in grant funding

Community Development focuses on protecting the public and promoting a positive, healthy community by ensuring quality growth and development, attractive neighborhoods and a prosperous economy. In addition to creating and adopting a new Downtown Development plan that meets or exceeds the standards of the Atlanta Regional Commission's Livable Centers Initiative, the City of Alpharetta annexed 6,004 parcels or 2019 acres during fiscal year 2006. Additionally, we were awarded \$5,500 in grant funding for the

"Sustainable Community Forest Program" to protect specimen trees throughout downtown Alpharetta for the purpose of compiling a tree inventory and other vital information to be provided to prospective downtown developers. While continuing to balance the growth and development with the needs of the city and our environment, Community Development conducted 17,200 building inspections and 4,051 code enforcement inspections, and issued 4,999 new building permits in fiscal year 2006.

"Our Comprehensive Land Use plan has proven to be beneficial time and time again as the City has grown to be one of our nation's most desirable places to live, work, play, and retire. We have the opportunity to develop Alpharetta as a first class city and it must be done with a thorough understanding of our long term vision."

- Debbie Gibson  
Councilmember

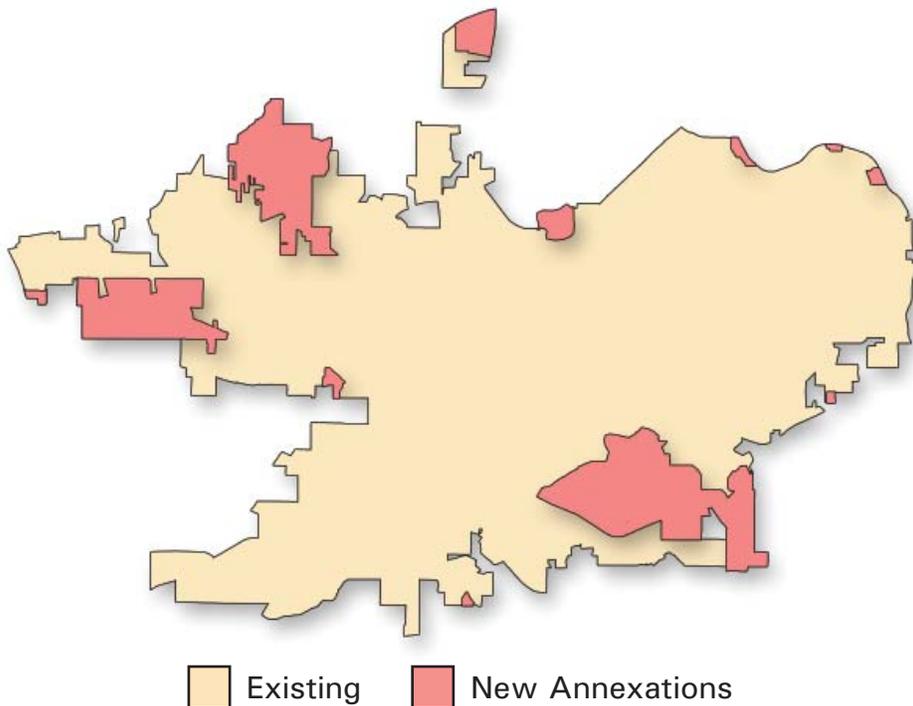


# COMMUNITY DEVELOPMENT

The Community Development function guides the growth and development of the City of Alpharetta to enhance the quality of life of our community and recognizes the City's historic and natural features.

## City of Alpharetta Annexations

July 2005 – June 2006



## DID YOU KNOW?

During fiscal year 2006, from July 2005 to June 2006, we annexed 7,680 residents and 6,004 parcels into the City of Alpharetta. As part of the annexations, we are pleased to welcome the following subdivisions or areas as part of our great city: Bates Road, Buice Road, Cabots Cove, Collingwood Apartments, Dania Drive, Evergreen Road, Glen Abbey, Harrington Falls, Hickory Ridge, Hunters Glen, Kimball Bridge Cove, Kimball Bridge Crossing, Kimball Estates, Kimball Oaks, Kimball Pointe, Kingsport, Laurelwood Farm,

Oaks at Harrington Falls, Parkside Close, Pine Valley Drive, Pinewalk, Providence Place, Providence Road, Regency at Northpointe, Selbridge Mill, Sheridan Park, Southerby Glen, Spring Place, Sweetwater Club, The Enclave at Glen Abbey, The Pines, The Preserve at Northpointe, The Registry, The Seasons, Wallace Woods, and Welford Trace. With more annexations planned in fiscal year 2007, we are looking forward to welcoming new citizens to our growing community.

# CALENDAR OF EVENTS

FEBRUARY	9	Father/Daughter Dance	Alpharetta Community Center	7:00 p.m. - 9:00 p.m.	678-297-6150
	14	Be My Valentine Drop-In Craft	Crabapple Government Center	10:00 a.m. - 4:00 p.m.	678-297-6160
MARCH	4	Alpharetta Marathon	City Hall	Begins at 6:30:00 a.m.	678-297-6078
	31	Children's Easter Egg Hunt	North Park	10:00 a.m., Hunt begins at 11:30 a.m.	678-297-6100
APRIL	14	5th Annual Alpharetta Children's Festival	Alpharetta Community Center	10:00 a.m. - 3:00 p.m.	678-297-6150
	21	Touch a Truck	North Park	10:00 a.m. - 2:00 p.m.	678-297-6100
	21-22	Alpharetta Arts StreetFest	Milton Avenue	10:00 a.m. - 6:00 p.m.	678-297-6078
	27	National Dance Week Celebration	Alpharetta Community Center	5:30 p.m. - 7:00 p.m.	678-297-6150
MAY	5	Spring Student/Staff Art Show	Crabapple Government Center	10:00 a.m. - 2:00 p.m.	678-297-6160
	12-16	Mother/Daughter/Granddaughter Luncheon	Senior Activity Center	Begins at 11:00 a.m.	678-297-6140
	17	Taste of Alpharetta	Old Milton Parkway @ Wills Park	5:00 p.m. - 10 p.m.	678-297-6078
	19	Dance Recital	Stone Creek Church	Begins at 11:00 a.m.	678-297-6100
	19	Mayor's Challenge Road Race	City Pool at Wills Park	7:15 a.m. Race Begins	678-297-6078
	19	Senior Center Open House	Senior Activity Center	10:00 a.m. - 2:00 p.m.	678-297-6140
	23	Sharks Mock Meet	Alpharetta City Pool	Begins at 5:00 p.m.	678-297-6107
	23	Older Americans Month Tennis Fun Day	North Park Tennis Center	Begins at 8:00 a.m.	678-297-6140
JUNE	2	Mexican Fiesta Pool Party	City Pool at Wills Park	6:00 p.m. - 9:00 p.m.	678-297-6107
	4-7	John Smoltz Baseball Camp	Wills Park	9:00 a.m. - 3:00 p.m.	678-297-6100
	18-22	Wills Park Youth Baseball Camps	Wills Park	9:00 a.m. - 3:00 p.m.	678-297-6100
	25-29	Wills Park Youth Baseball Camps	Wills Park	9:00 a.m. - 3:00 p.m.	678-297-6100
JULY	4	Children's Activities	Alpharetta Community Center	5:00 p.m. - 8:00 p.m.	678-297-6150
	4	Fireworks	Wills Park	Begins at Dusk	678-297-6100
	27	Friday Night Drive-In	City Pool at Wills Park	Begins at 7:30 p.m.	678-297-6107
	28	6th Annual Youth Fishing Derby	Brookside Office Park Lake	8:00 a.m. - 11:00 a.m.	678-297-6100
AUGUST	4	Old Soldier's Day Race	Wills Park	Begins at 7:00 a.m.	678-297-6100
	4	Old Soldier's Day Band, Program, and Parade	City Hall	Begins at 8:45 a.m.	678-297-6078
	10	Swinging '60's Pool Party	Alpharetta City Pool	7:00 p.m. - 10:00 p.m.	678-297-6107
	13	Senior Splash	Alpharetta City Pool	10:00 a.m. - 1:00 p.m.	678-297-6107
SEPTEMBER	8	Old Milton Country Fair	Milton Avenue	11:00 a.m. - 7:00 p.m.	678-297-6078
	TBD	Grandparent/Grandchild Fishing Derby	Brookside Office Park Lake	8:00 a.m. - 11:00 a.m.	678-297-6100
OCTOBER	27	Halloween Hayrides and Haunts	Wills Park Recreation Center	3:00 p.m. - 6:00 p.m.	678-297-6130
	27	Fall Student/Staff Art Show	Crabapple Government Center	10:00 a.m. - 2:00 p.m.	678-297-6160
DECEMBER	2	30th Annual Tree Lighting Ceremony	Downtown Alpharetta	Begins at 6:00 p.m.	678-297-6078
	3-4	Santa's Calling	North Pole	6:00 p.m. - 8:00 p.m.	678-297-6130
	12	Cookies with the Clauses	Alpharetta Community Center	12:00 p.m. - 3:00 p.m.	678-297-6150
	17	Brunch with Santa	Senior Activity Center	8:30 a.m. - 10:30 a.m.	678-297-6140

# FINANCIAL SECTION



# INDEPENDENT AUDITOR'S REPORT



## INDEPENDENT AUDITOR'S REPORT

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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, 2006, 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, 2006, 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.

200 GALLERIA PARKWAY S.E., SUITE 1700 • ATLANTA, GA 30339-5946 • 770-955-8600 • 800-277-0080 • FAX 770-980-4489 • www.mjcpa.com

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2007, 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 30 through 39 and the actuarial and budgetary comparison information on pages 65 through 67 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  
January 9, 2007

# MANAGEMENT'S DISCUSSION AND ANALYSIS



# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Alpharetta (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2006. 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 \$119,999,969 (total net assets). Of this amount \$22,911,336 (unrestricted net assets) may be used to meet the ongoing obligations of the government.
- The City's total net assets increased by \$60,687,898. Approximately two thirds of this amount is attributable to an increase in capital assets. These new assets were acquired through the annexation of 3.15 square miles of area adjoining Alpharetta.
- As of the close of the current fiscal year, the City of Alpharetta's governmental funds reported combined ending fund balances of \$58,673,858, an increase of \$26,441,141 from the prior year. The General Fund's unreserved, undesignated fund balance at year end is \$8,711,665, or 14.8% of the governmental funds' combined ending fund balance, which is available for spending at the City's discretion.
- At the end of the current fiscal year, the unreserved fund balance designated for operations in the general fund was \$13,277,911, or 38.7% of total general fund expenditures. There was no change in this balance from last fiscal year.
- General Fund revenues exceeded expenditures and other financing sources/uses by \$1,459,383, marking the eighth consecutive year an increase in fund balance has occurred.
- The City's total governmental activities debt (including notes) decreased by \$4,856,725 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

**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. Business-type activities include a solid waste collection operation.

The government-wide financial statements contain not only the City (known as the primary government), but also a legally separate authority for which the City 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.

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

The City maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the govern-

mental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, capital project, and bond IV (2006 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 adopts an annual appropriated budget for all its governmental funds, except capital projects funds, for which project-length budgets are adopted. 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 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 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 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 solid waste activities, a major fund of the City.

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 these funds are not available to support the City’s own programs. The ac-

counting used for fiduciary funds is much like that used for proprietary funds. The City 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 66–67 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 69–75 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 \$119,999,969 at the close of the most recent fiscal year. The largest portion of the City's net assets (68.9 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 (12 percent) represents resources that are subject to external restrictions on how they may be used. At the close of fiscal year 2006 the City's *restricted net assets* were \$14,392,861, representing \$7,524,863 obligated for capital projects and \$6,867,998 restricted for the repayment of general obligation bond debt.

The remaining balance in *unrestricted net assets* (\$22,911,336) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City 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 an increase of \$32,046 reported in connection with the City's business type activities. Nearly all of this increase resulted from positive cash flow in connection of the solid waste fund and additional business from new annexations.

The government's net assets increased by \$60,687,898 during the current fiscal year. Nearly all of this increase is attributable to the addition of \$52,901,856 from the 3.15 square miles of donated infrastructure as a result of new annexations.

## CITY OF ALPHARETTA'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 63,749,363	\$ 37,271,892	\$ 1,336,631	\$ 1,061,916	\$ 65,085,994	\$ 38,333,808
Capital assets	125,519,850	68,924,439	—	—	125,519,850	68,924,439
<b>Total assets</b>	<b>189,269,213</b>	<b>106,996,331</b>	<b>1,336,631</b>	<b>1,061,916</b>	<b>190,605,844</b>	<b>107,258,247</b>
Current liabilities	67,839,933	9,790,435	862,404	620,207	68,702,337	10,410,642
Non-current liabilities outstanding	1,896,496	37,528,964	7,042	6,570	1,903,538	37,535,534
<b>Total liabilities</b>	<b>69,736,429</b>	<b>47,319,399</b>	<b>869,446</b>	<b>626,777</b>	<b>70,605,875</b>	<b>47,946,176</b>
Net assets:						
Invested in capital assets, net of related debt	82,695,772	31,096,624	—	—	82,695,772	31,096,624
Restricted	14,392,861	12,951,724	—	—	14,392,861	12,951,724
Unrestricted	22,444,151	14,828,584	467,185	435,139	22,911,336	15,263,723
<b>Total net assets</b>	<b>\$ 119,532,784</b>	<b>\$ 58,876,932</b>	<b>\$ 467,185</b>	<b>\$ 435,139</b>	<b>\$ 119,999,969</b>	<b>\$ 59,312,071</b>

**Governmental activities.** Governmental activities increased the City's net assets by \$60,655,852 thereby accounting for nearly all of the total growth in the net assets of the City (business-type activities also had an increase in net assets of \$32,046 as noted earlier). Key elements of this increase are as follows:

- Total revenue increased by \$49,407,285 (82.9 percent) over fiscal year 2005, with the largest increase realized in capital grants and contributions resulting from donated infrastructure assets in the amount of \$52,901,856 due to new annexations.
- Property taxes increased by \$2,424,031.
- Unrestricted investment earnings also rose 13.8 percent as a result of continued efficiency in the government's management of the investment portfolio.

As mentioned earlier, donated infrastructure assets increased between fiscal year 2005 and 2006 for governmental activities. The increase was a result of new annexations in the City.

**Business-type activities.** Business-type activities increased the City of Alpharetta's net assets by \$32,046, as stated earlier. The primary element of this increase is the annexation of new customers to the city.

## CITY OF ALPHARETTA'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total
	2006	2005	2006	2005	2006
<i>Revenues</i>					
<i>Program revenues:</i>					
Charges for services	\$10,389,215	\$9,956,449	\$1,985,355	\$5,308,440	\$12,374,570
Operating grants and contributions	116,537	74,860	—	—	116,537
Capital grants and contributions	53,542,116	5,819,430	—	—	53,542,116
<i>General revenues:</i>					
Property taxes	21,015,938	18,591,907	—	—	21,015,938
Local option sales tax	8,838,133	7,748,031	—	—	8,838,133
Other taxes	12,023,499	11,035,229	—	—	12,023,499
Unrestricted investment earnings	1,105,481	975,868	27,483	22,201	1,132,964
Other revenues	—	104,057	—	—	—
<b>Total revenues</b>	<b>107,030,919</b>	<b>54,305,831</b>	<b>2,012,838</b>	<b>5,330,641</b>	<b>109,043,757</b>
<i>Expenses</i>					
General government	8,990,207	8,380,030	—	—	8,990,207
Public safety	19,095,508	15,904,517	—	—	19,095,508
Public works	5,662,936	3,469,265	—	—	5,662,936
Community development	3,836,608	2,937,850	—	—	3,836,608
Culture and recreation	6,495,895	4,571,699	—	—	6,495,895
Interest on long-term debt	2,043,045	2,233,542	—	—	2,043,045
Water	—	—	—	7,641,035	—
Solid Waste	—	—	2,231,660	1,934,505	2,231,660
<b>Total expenses</b>	<b>46,124,199</b>	<b>37,496,903</b>	<b>2,231,660</b>	<b>9,575,540</b>	<b>48,355,859</b>
Increase in net assets before transfers	60,906,720	16,808,928	(218,822)	(4,244,899)	60,687,898
Transfers	(250,868)	28,317	250,868	(28,317)	—
Increase in net assets	60,655,852	16,837,245	32,046	(4,273,216)	60,687,898
Net assets - 7/1/05	58,876,932	42,039,687	435,139	4,708,355	59,312,071
<b>Net assets - 6/30/06</b>	<b>\$119,532,784</b>	<b>\$58,876,932</b>	<b>\$467,185</b>	<b>\$435,139</b>	<b>\$119,999,969</b>

## 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 fiscal year 2006, the City's reported governmental funds combined ending fund balance of \$58,673,858, an increase of \$26,441,141 over the prior year. The largest single component of this amount (\$42.6 million) constitutes *unreserved fund balance*, which also includes \$13.2 million, which has been designated by the City for operations and constitutes a minimum statutory reserve of 18.0 percent of operating expenditures plus \$500,000 for self-insurance relating to workers' compensation. The final portion represents *reserved fund balance* and comprises \$16,060,652, indicating that it is not available for new spending. This amount has already been committed to: 1) capital projects which have been approved, but not yet expensed, (\$7,524,863), 2) future debt expenditures (\$6,867,998), or 3) a variety of other restricted purposes (\$1,667,791).

**General fund.** The general fund is the chief operating fund of the City. At the end of fiscal year 2006, unreserved, undesignated fund balance was \$8,711,665 while total fund balance reached \$22,405,741. 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 25.4 percent of total general fund expenditures, while total fund balance represents 53.9 percent of that same amount.

The fund balance of the City's general fund increased during the fiscal year 2006 by \$1,459,383. This marks the eighth consecutive year where revenues, expenditures, and other financing sources (uses) provided for improved financial stability. Key fac-

tors in this growth are as follows:

- An increase in total revenues of \$4,408,919 from the prior year. This increase was primarily due to the recent annexation and increase of assessed property value, resulting in greater property tax revenue of \$1,522,458 over the prior fiscal year. Additionally, the increase in the Sales and Use Tax revenue category resulted in \$1,090,102 greater revenue than last year.
- Expenditures came in well under budget, at \$34,352,005 with \$535,642 of the original budgetary appropriation unspent.
- Investment earnings resulted in an additional \$178,675 over prior year 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 \$6,867,998, all of which is reserved for the payment of debt. The net increase in fund balance during the current year of 2006 (\$3,232,277) is primarily attributable to inter-fund transfers. The general fund transferred \$2,525,000 while the impact fee special revenue fund provided \$525,000.

**Proprietary funds.** The City'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 fund at the end of the year amounted to \$467,185. The total change in net assets for the solid waste funds was \$32,046.

### 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 process ensures adjustments facilitating appropriations are aligned with expected resources. Differences between the original budget and final

amended budget are summarized as follows.

During the year, there was a \$1,200,378 increase in appropriations between the original and final amended budget. The following are the main components of the increase:

- \$445,129 supplemental appropriation for the compensation adjustment across all departments to reward employees for their long-term commitment, dedication, and hard work to the City and its citizens; and
- \$332,201 supplemental appropriation for the addition of ten police officer positions to provide current service levels to the newly annexed areas;
- \$174,253 supplemental appropriation for legal proceedings relating to council member removal procedures in accordance with City Charter requirements; and
- \$122,584 supplemental appropriation for increased fuel and utility costs, including the rise of natural gas and vehicle gas prices.

The increases were possible because of additional anticipated revenues. Those revenues included an increase in Licenses and Permits (\$285,098); primarily attributable to development within the City; Local Option Sales Tax collections (\$219,763) due to continued strong spending in the area; and an increase in Franchise Fee collections (\$291,439) due to the City's recent annexations.

## 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, 2006, amounts to \$125,519,850 (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 82.1 percent, or \$56,595,411 primarily from recent annexations.

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

- Recent annexation of 3.15 square miles of new property resulted in donated infrastructure of \$52,901,856.
- A few of the major projects completed during fiscal year 2006 include: Refurbishing Fire Station #5 (\$629,411), installing artificial turf for North Park (\$573,614), and opening a major section of Westside Parkway.

### CITY OF ALPHARETTA'S CAPITAL ASSETS (NET OF DEPRECIATION)

	Governmental Activities	
	2006	2005
Land and permanent improvements	\$ 28,077,389	\$ 28,260,221
Buildings and system	21,113,585	21,309,585
Improvement other than buildings	4,863,916	3,898,021
Machinery and equipment	4,535,908	4,766,458
Infrastructure	62,611,414	7,312,526
Construction in progress	4,317,638	3,377,628
<b>Total</b>	<b>\$ 125,519,850</b>	<b>\$ 68,424,439</b>

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

**Long-term debt.** At the end of the fiscal year 2006, the City's total outstanding bonded debt was \$63,761,350. Of this amount, \$62,410,000 represented general obliga-

tion bonds, and outstanding notes of \$1,351,350. This entire amount comprises debt backed by the full faith and credit of the government.

**CITY OF ALPHARETTA'S OUTSTANDING DEBT  
(GENERAL OBLIGATION BONDS AND NOTES)**

	Governmental Activities	
	2006	2005
General obligation bonds	\$62,410,000	\$40,900,000
Notes payable	1,351,350	1,428,075
<b>Total</b>	<b>\$ 63,761,350</b>	<b>\$ 42,328,075</b>

The City's total debt increased by \$21,433,275 (50.6 percent) during the 2006 fiscal year (includes bond debt and notes). The key factors of this increase occurred as a result of a \$26.3 million bond issuance and continued payment of existing debt.

The City achieved a "AAA" rating from Standard & Poor's and a "Aaa" rating from Moody's for general obligation debt for 2006 fiscal year. Keys to such elite ratings are a result of strong and proactive administration; effective debt management policies with moderate to low debt ratios; a vibrant and diverse economy; and a strong

track record of managing the financial positions supported by sufficient reserves and established policies that guide management practices.

State statutes limit the amount of general obligation debt a governmental entity may issue to ten percent of its total assessed valuation, less current debt issued. The City's outstanding obligation debt is significantly less than the legal debt limitation of \$324,677,897.

Additional information on the City's long-term debt can be found in note IV.F on page 61 of this report.

## Economic Factors and Next Year's Budgets and Rates

All of the factors below were considered in preparing the City budget for the 2007 fiscal year.

- **Sustainability of existing services.** The City has deployed a philosophy of budgetary evaluation, focusing on 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.
- The government chose to lower the property tax millage rate to 6.60, representing a reduction of .40 mills from the previous year. The reduction in the millage rate equates to tax relief in the amount of \$1,364,022. Additional revenue in the amount of \$2,584,628 is attributed to new development and newly annexed properties.
- **Increasing debt service payments.** The government's existing debt structure is such that payments increase each fiscal year. 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.

- **The consideration of several revisions of current revenue source rates/charges.** New revenue sources include the addition of red light cameras at two major intersections.

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

### Requests for Information

This financial report is designed to provide a general overview of the City of Alpharetta'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  
Alpharetta, Georgia 30004  
or by calling 678-297-6060.



# BASIC FINANCIAL STATEMENTS



**CITY OF ALPHARETTA**  
**STATEMENT OF NET ASSETS**

JUNE 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Development Authority
<b>Assets</b>				
Cash and cash equivalents	\$18,545,989	\$912,471	\$19,458,460	—
Investments	19,659,515	307,634	19,967,149	—
Receivables, net of allowance for uncollectibles	2,960,566	116,358	3,076,924	\$61,538
Direct financing lease receivable	—	—	—	8,190,000
Prepaid expenses	72,235	168	72,403	—
Restricted assets:				
Cash and cash equivalents	1,811,355	—	1,811,355	—
Investments	20,429,133	—	20,429,133	—
Receivables	98,870	—	98,870	—
Deferred charges	171,700	—	171,700	—
Capital assets, non-depreciable	32,395,027	—	32,395,027	—
Capital assets, depreciable, net of accumulated depreciation	93,124,823	—	93,124,823	—
<b>Total assets</b>	<b>189,269,213</b>	<b>1,336,631</b>	<b>190,605,844</b>	<b>8,251,538</b>
<b>Liabilities</b>				
Accounts payable and other current liabilities	4,415,022	296,011	4,711,033	—
Unearned revenue	—	566,393	566,393	—
Bonds and notes payable:				
Matured bonds and interest payable	—	—	—	61,538
Due within one year	6,345,025	—	6,345,025	485,000
Due in more than one year	57,079,886	—	57,079,886	7,705,000
Noncurrent liabilities:				
Due within one year	1,491,543	7,042	1,498,585	—
Due in more than one year	404,953	—	404,953	—
<b>Total liabilities</b>	<b>69,736,429</b>	<b>869,446</b>	<b>70,605,875</b>	<b>8,251,538</b>
<b>Net Assets</b>				
Invested in capital assets, net of related debt	82,695,772	—	82,695,772	—
Restricted for:				
Debt service	6,867,998	—	6,867,998	—
Capital projects	7,524,863	—	7,524,863	—
Unrestricted	22,444,151	467,185	22,911,336	—
<b>Total net assets</b>	<b>\$119,532,784</b>	<b>\$467,185</b>	<b>\$119,999,969</b>	<b>—</b>

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

**CITY OF ALPHARETTA**  
**STATEMENT OF ACTIVITIES**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Net (Expense) Revenue and Changes in Net Assets						
		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
<i>Primary government</i>								
Governmental activities:								
General government	\$8,990,207	\$4,299,561	\$38,186	—	\$(4,652,460)	—	\$(4,652,460)	—
Public safety	19,095,508	1,584,186	9,550	\$151,460	(17,350,312)	—	(17,350,312)	—
Public works	5,662,936	110,457	36,988	53,176,030	47,660,539	—	47,660,539	—
Community development	3,836,608	2,432,818	—	105,000	(1,298,790)	—	(1,298,790)	—
Culture and recreation	6,495,895	1,962,193	31,813	109,626	(4,392,263)	—	(4,392,263)	—
Interest on long-term debt	2,043,045	—	—	—	(2,043,045)	—	(2,043,045)	—
<b>Total governmental activities</b>	<b>46,124,199</b>	<b>10,389,215</b>	<b>116,537</b>	<b>53,542,116</b>	<b>17,923,669</b>	<b>—</b>	<b>17,923,669</b>	<b>—</b>
Business-type activities:								
Solid waste	2,231,660	1,985,355	—	—	—	(246,305)	(246,305)	—
<b>Total business-type activities:</b>	<b>2,231,660</b>	<b>1,985,355</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(246,305)</b>	<b>(246,305)</b>	<b>—</b>
<b>Total primary gov't</b>	<b>\$48,355,859</b>	<b>\$12,374,570</b>	<b>\$116,537</b>	<b>\$53,542,116</b>	<b>17,923,669</b>	<b>(246,305)</b>	<b>17,677,364</b>	<b>—</b>
<i>Component units</i>								
Development Authority	375,273	—	—	—	—	—	—	(375,273)
<b>Total component units</b>	<b>\$375,273</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(375,273)</b>

General revenues:							
Property taxes				21,015,938	—	21,015,938	—
Sales taxes				8,838,133	—	8,838,133	—
Franchise taxes				4,170,781	—	4,170,781	—
Hotel/Motel occupancy tax				3,130,740	—	3,130,740	—
Business taxes				2,835,449	—	2,835,449	—
Other taxes				1,886,529	—	1,886,529	—
Unrestricted investment earnings				1,105,481	27,483	1,132,964	375,273
Transfers				(250,868)	250,868	—	—
<b>Total general revenues and transfers</b>				<b>42,732,183</b>	<b>278,351</b>	<b>43,010,534</b>	<b>375,273</b>
Change in net assets				60,655,852	32,046	60,687,898	—
Net assets, beginning of year, restated				58,876,932	435,139	59,312,071	—
<b>Net assets, end of year</b>				<b>\$119,532,784</b>	<b>\$467,185</b>	<b>\$119,999,969</b>	<b>—</b>

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

**CITY OF ALPHARETTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2006**

	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Project	Bond IV		
<b>Assets</b>						
Cash and cash equivalents	\$14,393,415	\$863,562	\$184,002	\$1,420,398	\$1,684,612	\$18,545,989
Investments	7,791,025	5,979,125	3,745,289	—	2,144,076	19,659,515
Taxes receivable	1,907,384	101,889	—	—	291,244	2,300,517
Accounts receivable	178,505	—	336,723	—	144,821	660,049
Due from other funds	116,587	—	—	—	—	116,587
Prepaid expenditures	67,727	—	—	—	4,508	72,235
Restricted assets:						
Cash	—	—	—	—	1,811,355	1,811,355
Investments	—	—	—	20,429,133	—	20,429,133
Intergovernmental receivable	—	—	—	—	98,870	98,870
<b>Total assets</b>	<b>\$24,454,643</b>	<b>\$6,944,576</b>	<b>\$4,266,014</b>	<b>\$21,849,531</b>	<b>\$6,179,486</b>	<b>\$63,694,250</b>
<b>Liabilities and Fund Balances</b>						
Liabilities:						
Accounts payable	\$ 922,422	—	\$ 333,219	\$ 1,169,123	\$ 428,555	\$ 2,853,319
Retainage payable	—	—	173,409	185,859	12,401	371,669
Accrued salaries	748,276	—	—	—	42,514	790,790
Accrued liabilities	98,289	—	—	—	—	98,289
Due to other funds	—	—	—	—	116,587	116,587
Deferred revenue	279,915	\$76,578	336,723	—	96,522	789,738
<b>Total liabilities</b>	<b>2,048,902</b>	<b>76,578</b>	<b>843,351</b>	<b>1,354,982</b>	<b>696,579</b>	<b>5,020,392</b>
Fund balances:						
Reserved for:						
Prepaid expenditures	67,727	—	—	—	4,508	72,235
Tree bank	348,438	—	—	—	—	348,438
Public safety	—	—	—	—	1,247,118	1,247,118
Debt service	—	6,867,998	—	—	—	6,867,998
Capital projects	—	—	3,422,663	—	4,102,200	7,524,863
Unreserved for:						
Designated for, reported in:						
Operations	13,277,911	—	—	—	—	13,277,911
Special revenue funds	—	—	—	—	129,081	129,081
Undesignated, reported in:						
General fund	8,711,665	—	—	—	—	8,711,665
Capital project funds	—	—	—	20,494,549	—	20,494,549
<b>Total fund balances</b>	<b>22,405,741</b>	<b>6,867,998</b>	<b>3,422,663</b>	<b>20,494,549</b>	<b>5,482,907</b>	<b>58,673,858</b>
<b>Total liabilities and Fund balances</b>	<b>\$24,454,643</b>	<b>\$6,944,576</b>	<b>\$4,266,014</b>	<b>\$21,849,531</b>	<b>\$6,179,486</b>	

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.	125,519,850
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	789,738
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(65,450,662)
<b>Net assets of governmental activities</b>	<b>\$119,532,784</b>

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

**CITY OF ALPHARETTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	Major Governmental Funds				Nonmajor Governmental Funds	Total Governmental Funds
	General	Debt Service	Capital Project	Bond IV		
<b>Revenues</b>						
Taxes:						
Property taxes	\$14,096,517	\$ 6,821,554	—	—	—	\$20,918,071
Sales and use taxes	8,838,133	—	—	—	—	8,838,133
Other taxes	8,892,759	—	—	—	\$3,130,740	12,023,499
Licenses and permits	2,428,720	—	—	—	—	2,428,720
Charges for services	2,964,285	—	—	—	1,225,202	4,189,487
Impact fees	—	—	—	—	724,847	724,847
Fines and forfeitures	2,720,371	—	—	—	99,902	2,820,273
Intergovernmental	24,398	—	—	—	392,058	416,456
Contributions and donations	12,441	—	\$310,400	—	17,500	340,341
Investment earnings	591,631	238,976	139,502	—	135,372	1,105,481
Other revenues	225,888	—	—	—	—	225,888
<b>Total revenues</b>	<b>40,795,143</b>	<b>7,060,530</b>	<b>449,902</b>	<b>—</b>	<b>5,725,621</b>	<b>54,031,196</b>
<b>Expenditures</b>						
Current:						
General government	8,244,922	15,000	—	103	43,802	8,303,827
Public safety	15,415,801	—	—	—	1,508,394	16,924,195
Public works	3,557,559	—	—	—	37,637	3,595,196
Community development	1,678,989	—	—	—	1,878,444	3,557,433
Culture and recreation	5,454,734	—	—	—	11,354	5,466,088
Capital outlay	—	—	3,952,647	3,456,423	1,865,061	9,274,131
Debt Service:						
Principal	—	4,856,725	—	—	—	4,856,725
Interest	—	2,006,528	—	—	—	2,006,528
Bond issuance costs	—	—	—	171,700	—	171,700
<b>Total expenditures</b>	<b>34,352,005</b>	<b>6,878,253</b>	<b>3,952,647</b>	<b>3,628,226</b>	<b>5,344,692</b>	<b>54,155,823</b>
Excess (deficiency) of revenues over (under) expenditures	6,443,138	182,277	(3,502,745)	(3,628,226)	380,929	(124,627)
<b>Other Financing Sources (Uses)</b>						
Proceeds from sale of capital assets	6,500	—	—	—	—	6,500
Issuance of bonds	—	—	—	26,290,000	—	26,290,000
Premium on bond issuance	—	—	—	520,136	—	520,136
Transfers in	1,252,296	3,050,000	3,010,710	—	671,508	7,984,514
Transfers out	(6,242,551)	—	(121,255)	—	(1,871,576)	(8,235,382)
<b>Total other financing sources (uses)</b>	<b>(4,983,755)</b>	<b>3,050,000</b>	<b>2,889,455</b>	<b>26,810,136</b>	<b>(1,200,068)</b>	<b>26,565,768</b>
Net change in fund balances	1,459,383	3,232,277	(613,290)	23,181,910	(819,139)	26,441,141
Fund balances, beginning of year	20,946,358	3,635,721	4,035,953	(2,687,361)	6,302,046	32,232,717
<b>Fund balances, end of year</b>	<b>\$22,405,741</b>	<b>\$6,867,998</b>	<b>\$3,422,663</b>	<b>\$20,494,549</b>	<b>\$5,482,907</b>	<b>\$58,673,858</b>

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

**CITY OF ALPHARETTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

FOR THE FISCAL YEAR ENDED JUNE 30, 2006

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

Net change in fund balances - total governmental funds .....	\$26,441,141
<p>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.....</p>	
	3,824,788
<p>The net effect of various miscellaneous transactions involving capital assets (i.e. donations and sales) is to increase net assets.....</p>	
	52,770,623
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.....</p>	
	97,867
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. 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. This amount is the net effect of these differences in the treatment of long-term debt and related items.....</p>	
	(21,853,652)
<p>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.....</p>	
	(624,915)
<hr style="border: 1px solid black;"/>	
Change in net assets of governmental activities .....	\$60,655,852
<hr style="border: 3px double black;"/>	

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

**CITY OF ALPHARETTA**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUND**  
 JUNE 30, 2006

<i>Assets</i>	<u>Solid Waste Fund</u>
Current assets:	
Cash and cash equivalents	\$912,471
Investments	307,634
Accounts receivable, net of allowance for uncollectibles	116,358
Prepaid expenses	168
<b>Total assets</b>	<b>1,336,631</b>
 <i>Liabilities</i>	
Accounts payable	288,866
Accrued salaries	7,145
Unearned revenue	566,393
Compensated absences payable	7,042
<b>Total liabilities</b>	<b>869,446</b>
 <i>Net Assets</i>	
Unrestricted	467,185
<b>Total net assets</b>	<b>\$467,185</b>

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

**CITY OF ALPHARETTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUND**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Solid Waste Fund</u>
Operating revenues:	
Charges for sales and services:	
Refuse collection charges	\$1,982,569
Miscellaneous revenue	2,786
<b>Total operating revenues</b>	<b>1,985,355</b>
Operating expenses:	
Administration	2,231,660
<b>Total operating expenses</b>	<b>2,231,660</b>
Operating loss	(246,305)
Nonoperating revenues:	
Investment earnings	27,483
<b>Total nonoperating revenues</b>	<b>27,483</b>
Loss before transfers	(218,822)
Transfers In	250,868
Change in net assets	32,046
Net assets - beginning of year	435,139
<b>Net assets - end of year</b>	<b>\$467,185</b>

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

**CITY OF ALPHARETTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2006

	<u>Solid Waste Fund</u>
<i>Cash Flows from Operating Activities</i>	
Receipts from customers and users	\$2,071,993
Payments to vendors	(1,908,102)
Payments to employees	(181,605)
Net cash used in operating activities	(17,714)
<i>Cash Flows from Non-Capital Financing Activities</i>	
Transfers from other funds	250,868
Net cash provided by noncapital financing activities	250,868
<i>Cash Flows from Investing Activities</i>	
Proceeds from sales and maturities of investments	61
Interest and dividends received	27,483
Net cash provided by investing activities	27,544
Increase in cash and cash equivalents	260,698
Cash and cash equivalents, July 1, 2005	651,773
Cash and cash equivalents, June 30, 2006	\$912,471
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$(246,305)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in accounts receivable	(14,035)
Increase in prepaid expenses	(43)
Increase in accounts payable	140,744
Decrease in compensated absences payable	(2,272)
Increase in other accrued liabilities	104,197
Net cash used in operating activities	\$(17,714)

*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 resulted in the 2006 general obligation bond issue.

The government reports the following major proprietary funds:

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.

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 fund are charges to customers for sales and services. Operating expenses for the enterprise fund consists of administrative expenses. 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.

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. Prepaid items**

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 and 2006 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 \$5,000 (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.

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

<b>Assets</b>	<b>Years</b>
Buildings . . . . .	5–50
Improvements other than buildings . . . . .	7–45
Infrastructure . . . . .	5–100
Machinery and 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 the proprietary fund 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 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.

## 9. Management estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures/expenses during the period. Actual results could differ from those estimates.

## 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 \$65,450,662 difference are as follows:

Bonds payable	\$62,410,000
Less: Deferred charges on refunding	(856,575)
Less: Deferred charges for issuance costs	(171,700)
Plus: Issuance premium	520,136
Notes payable	1,351,350
Accrued interest payable	300,955
Claims and judgments payable	477,540
Compensated absences	1,418,956
Net adjustment to reduce <i>fund balance – total governmental funds</i> to arrive at <i>net assets – governmental activities</i>	\$65,450,662

### 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 \$3,824,788 difference are as follows:

Capital outlay	\$7,304,375
Depreciation expense	(3,479,587)
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>	\$3,824,788

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., donations and sales) is to increase net assets.” The details of this \$52,770,623 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.	\$(131,233)
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.	52,901,856
<i>Net adjustment to increase net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities</i>	<u>\$52,770,623</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 \$21,853,652 difference are as follows:

Principal repayments:	
General obligation debt	\$4,780,000
Notes payable	76,725
Bond proceeds	(26,290,000)
Premium on new bonds	(520,136)
Bond issuance costs	171,700
Amortization on deferred charges on refunding	(71,941)
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities</i>	<u>\$(21,853,652)</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 \$624,915 difference are as follows:

Compensated absences	\$(182,799)
Claims and judgments payable	(455,540)
Accrued interest	35,424
<i>Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at change in net assets of governmental activities</i>	<u>\$(624,915)</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 projects 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. These changes are reflected in the budget and actual comparison schedules.

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

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

Hotel Motel Fund	\$235,644
Impact Fees Fund	8,577
General Fund departments:	
Risk Management	15,675
Engineering	15,693

These over expenditures were funded by greater than anticipated revenues, transfers from other funds, and by available fund balance.

## IV. Detailed Notes on All Funds

### A. Deposits and Investments

As of June 30, 2006, the City of Alpharetta had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>
Government Bonds		
Federal Home Loan Mortgage Corporation	July - December 2006	\$1,891,410
U.S. Treasury Notes	July - December 2006	446,648
Federal National Mortgage Association	July - December 2006	3,701,557
U.S. Agencies	January 2007	147,093
Federal Home Loan Mortgage Corporation	February 2007	441,422
Federal National Mortgage Association	February 2007	392,375
Federal Home Loan Mortgage Corporation	September 2008	1,950,625
Federal National Mortgage Association	November 2007	1,952,500
Federal National Mortgage Association	February 2009	378,750
Short-Term Investments		
Federal Home Loan Mortgage Corporation	July - December 2006	3,381,034
Federal Home Loan Mortgage Corporation	January - June 2007	3,592,247
Federal National Mortgage Association	July - December 2006	1,691,488
Money Market Mutual Fund		
Fidelity Institutional Money Market	July - August 2006	20,492,133
<b>Total</b>		<b>\$40,396,282</b>

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.

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. State statutes and City policy

require all deposits and investments (other than federal or state instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. All deposits and investments as of June 30, 2006 were properly collateralized.

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	Solid Waste	Nonmajor Funds	Total
<i>Receivables:</i>						
Taxes	\$1,910,536	\$102,958	—	—	\$291,244	\$2,304,738
Accounts	178,505	—	\$336,723	\$168,536	144,821	828,585
Intergovernmental	—	—	—	—	98,870	98,870
<b>Gross receivables</b>	<b>2,089,041</b>	<b>102,958</b>	<b>336,723</b>	<b>168,536</b>	<b>534,935</b>	<b>3,232,193</b>
Less: Allowance for Uncollectibles	(3,152)	(1,069)	—	(52,178)	—	(56,399)
<b>Net total receivables</b>	<b>\$2,085,889</b>	<b>\$101,889</b>	<b>\$336,723</b>	<b>\$116,358</b>	<b>\$534,935</b>	<b>\$3,175,794</b>

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.

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.

## C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2006 was as follows:

### Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Governmental activities:</i>					
Capital assets, not being depreciated:					
Land and permanent improvements	\$28,260,221	\$119,550	—	\$(302,382)	\$28,077,389
Construction in progress	3,337,628	4,677,120	\$(112,581)	(3,624,529)	4,317,638
<b>Total capital assets, not being depreciated</b>	<b>31,637,849</b>	<b>4,796,670</b>	<b>(112,581)</b>	<b>(3,926,911)</b>	<b>32,395,027</b>
Capital assets, being depreciated:					
Buildings	27,407,806	—	—	540,300	27,948,106
Improvements other than buildings	5,950,389	639,919	—	723,459	7,313,767
Machinery and equipment	12,025,057	828,415	(284,167)	—	12,569,305
Infrastructure	7,712,036	53,941,227	—	2,663,152	64,316,415
<b>Total capital assets, being depreciated</b>	<b>53,095,288</b>	<b>55,409,561</b>	<b>(284,167)</b>	<b>3,926,911</b>	<b>112,147,593</b>
Less accumulated depreciation for:					
Buildings	(6,098,221)	(736,300)	—	—	(6,834,521)
Improvements other than buildings	(2,052,368)	(397,483)	—	—	(2,449,851)
Machinery and equipment	(7,258,599)	(1,040,313)	265,515	—	(8,033,397)
Infrastructure	(399,510)	(1,305,491)	—	—	(1,705,001)
<b>Total accumulated depreciation</b>	<b>(15,808,698)</b>	<b>(3,479,587)</b>	<b>265,515</b>	<b>—</b>	<b>(19,022,770)</b>
<b>Total capital assets, being depreciated, net</b>	<b>37,286,590</b>	<b>51,929,974</b>	<b>(18,652)</b>	<b>3,926,911</b>	<b>93,124,823</b>
<b>Governmental activities capital assets, net</b>	<b>\$68,924,439</b>	<b>\$56,726,644</b>	<b>\$(131,233)</b>	<b>—</b>	<b>\$125,519,850</b>

*The beginning balances of the above governmental activities capital assets reflects a reduction for the change in the City's capitalization threshold, in the amount of \$1,707,101.*

*See Note V-F for a reconciliation of the opening net assets of the government wide statements.*

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

### Governmental activities:

General government	\$132,679
Public safety	927,430
Public works	1,660,640
Community development	52,426
Culture and recreation	706,412
<b>Total depreciation expense – governmental activities</b>	<b>\$3,479,587</b>

**Construction Commitments.** The government has active construction projects as of June 30, 2006. 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:

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.

Project	Spent-to-Date	Remaining Commitment
Park improvements	\$766,178	\$2,536,095
Sidewalk and pedestrian projects	102,554	25,639
Street and transportation improvements	263,989	6,175,015
Public safety facilities	2,413,636	713,125
<b>Total</b>	<b>\$3,546,357</b>	<b>\$9,449,874</b>

#### D. Interfund Receivables, Payables, and Transfers

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

The outstanding balances between funds result mainly from the time lag between the dates that transactions are recorded in the accounting system, and payments between funds are made.

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General	Hotel Motel	\$116,587
<b>Total</b>		<b>\$116,587</b>

Interfund transfers:

Transfers out:	Transfers In:					Total
	General Fund	Debt Service Fund	Capital Project Fund	Solid Waste Fund	Nonmajor Governmental Funds	
General fund	—	\$2,525,000	\$3,010,710	\$250,868	\$455,973	\$6,242,551
Capital projects	—	—	—	—	121,255	121,255
Nonmajor Governmental Funds	\$1,252,296	525,000	—	—	94,280	1,871,576
<b>Total</b>	<b>\$1,252,296</b>	<b>\$3,050,000</b>	<b>\$3,010,710</b>	<b>\$250,868</b>	<b>\$671,508</b>	<b>\$8,235,382</b>

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 \$220,042 for the fiscal year ended June 30, 2006. The future minimum lease payments for these leases are as shown to the right:

Fiscal Year Ending June 30	Amount
2007	\$227,130
2008	213,129
2009	37,713
<b>Total</b>	<b>\$477,972</b>

## 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 outstanding at June 30, 2006 is \$90,690,000.

During the current year the City issued a 2006 series general obligation bond to provide funds for the acquisition and construction of major capital facilities. The bonds were issued on June 28, 2006 for \$26,290,000 with a premium of \$520,136. The bonds were issued with interest rates ranging from 4.0% to 5.0%.

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	4.0 - 6.5%	\$51,575,000
Governmental activities - refunding	2.0 - 4.375%	10,835,000
<b>Total</b>		<b>\$62,410,000</b>

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

Fiscal Year Ending June 30	Governmental Activities	
	Principal	Interest
2007	\$6,265,000	\$2,749,104
2008	6,925,000	2,630,481
2009	7,265,000	2,290,206
2010	7,635,000	1,924,994
2011	8,030,000	1,537,531
2012-2016	10,690,000	4,626,281
2017-2021	6,970,000	3,082,440
2022-2026	8,630,000	1,286,125
<b>Total</b>	<b>\$62,410,000</b>	<b>\$20,127,162</b>

**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 2005 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 \$1,260,000.

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 \$856,575. The advance refunding was undertaken to reduce total debt service payments 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 \$10,490,000.

**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, 2006 are as follows:

Fiscal Year Ending June 30	Principal	Interest
2007	\$485,000	\$359,649
2008	505,000	339,970
2009	525,000	319,107
2010	545,000	296,900
2011	565,000	273,166
2012-2016	3,235,000	950,084
2017-2019	2,330,000	171,360
<b>Total</b>	<b>\$8,190,000</b>	<b>\$2,710,236</b>

**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, 2006 are as follows:

Fiscal Year Ending June 30	Principal	Interest
2007	\$80,025	\$59,342
2008	83,325	56,095
2009	86,625	52,653
2010	89,925	48,989
2011	93,225	45,072
2012-2016	533,775	156,764
2017-2019	384,450	28,274
<b>Total</b>	<b>\$1,351,350</b>	<b>\$447,189</b>

**Changes in Long-term Liabilities.** Long-term liability activity for the fiscal year ended June 30, 2006, are shown below:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable:					
General obligation bonds	\$40,900,000	\$26,290,000	\$(4,780,000)	\$62,410,000	\$6,265,000
Less deferred charges on refunding	(928,516)	—	71,941	(856,575)	
Plus issuance premium	—	520,136	—	520,136	
<b>    Total bonds payable</b>	<b>39,971,484</b>	<b>26,810,136</b>	<b>(4,708,059)</b>	<b>62,073,561</b>	
Notes payable	1,428,075	—	(76,725)	1,351,350	80,025
Claims and judgments	—	477,540	—	477,540	138,987
Compensated absences	1,236,157	1,361,688	(1,178,889)	1,418,956	1,352,556
<b>    Governmental activity Long-term liabilities</b>	<b>\$42,635,716</b>	<b>\$28,649,364</b>	<b>\$(5,963,673)</b>	<b>\$65,321,407</b>	<b>\$7,836,568</b>
<i>Business-type activities:</i>					
Compensated absences	\$9,314	\$7,879	\$(10,151)	\$7,042	\$7,042
<b>    Business-type activity Long-term liabilities</b>	<b>\$9,314</b>	<b>\$7,879</b>	<b>\$(10,151)</b>	<b>\$7,042</b>	<b>\$2,744</b>

For governmental activities, compensated absences are predominately liquidated by the general fund and emer-

gency 911 fund; and claims and judgments are liquidated by the general fund.

## 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, 2006, 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 \$300,000 per incident and \$1,000,000 in the aggregate are also insured through a private insurance carrier, where as liability claims below this threshold 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, 2006	Fiscal Year Ended June 30, 2005
Unpaid claims, beginning of fiscal year	\$3,487	—
Claims incurred	140,407	\$128,910
Claims paid	(45,605)	(125,423)
<b>Unpaid claims, end of fiscal year</b>	<b>\$98,289</b>	<b>\$3,487</b>

## B. Contingent Liabilities

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

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

The government has contracted with Browning-Ferris Industries, Inc. for refuse collection, including recycling, until March 31, 2007.

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 the City of Atlanta has paid on behalf of the City of Alpharetta since the 2004 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 mu-

nicipality 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 7.03% of covered payroll.

*Annual pension cost.* For 2006, the government’s annual pension cost of \$1,061,472 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 5.5 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 1983. 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	Annual Pension Cost (APC)	Percentage of Annual Pension Cost Contributed	Net Pension Obligation
2006	\$1,061,472	100%	—
2005	1,149,906	100%	—
2004	1,141,610	100%	—
2003	931,642	100%	—
2002	801,437	100%	—
2001	647,319	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, 2006, there were 385 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, 2006, the government's contribution to the 401(a) plan was \$428,797. The amount contributed by employees into the 457 plan was \$824,461.

## F. Changes in Accounting Principles

Effective July 1, 2005 the City changed the capitalization threshold to \$5,000. This change in accounting policy caused a restatement of the government wide net assets in the amount of \$1,707,101. This change in accounting policy caused the net assets to decrease as of June 30, 2005 as follows:

Net assets, June 30, 2005	\$60,584,033
Change in accounting policy	(1,707,101)
<b>Net assets, June 30, 2005 (restated)</b>	<b>\$58,876,932</b>

### Required Supplementary Information City of Alharetta Retirement Plan Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (U A A L) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
2006	\$13,764,586	\$14,286,918	\$522,332	96.3%	\$14,871,738	3.5%
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 FISCAL YEAR ENDED JUNE 30, 2006

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$13,303,437	\$13,303,437	\$14,096,517	\$793,080
Sales and use taxes	7,464,726	7,684,489	8,838,133	1,153,644
Franchise taxes	3,330,000	3,621,439	4,170,781	549,342
Business taxes	2,511,000	2,681,609	2,835,449	153,840
Other taxes	2,735,200	1,755,000	1,886,529	131,529
Licenses and permits	1,438,060	1,723,158	2,428,720	705,562
Intergovernmental	21,700	21,700	24,398	2,698
Fines and forfeitures	2,400,948	2,400,948	2,720,371	319,423
Charges for services	2,268,456	2,399,325	2,964,285	564,960
Investment earnings	175,000	175,000	591,631	416,631
Contributions and donations	—	—	12,441	12,441
Other revenues	35,000	62,600	225,888	163,288
<b>Total revenues</b>	<b>35,683,527</b>	<b>35,828,705</b>	<b>40,795,143</b>	<b>4,966,438</b>
<b>Expenditures</b>				
<b>Current:</b>				
<b>General government</b>				
City clerk	305,190	308,497	277,350	31,147
Contingency	200,000	200,000	—	200,000
Mayor and council	184,740	184,740	184,650	90
Municipal court	646,421	654,286	612,836	41,450
Legal	350,000	560,253	557,167	3,086
City administrator	1,035,558	1,011,830	952,664	59,166
Finance	1,764,208	1,785,934	1,687,985	97,949
Human resources	875,632	887,122	777,154	109,968
Risk management	500,384	499,454	515,129	(15,675)
Technology services	1,056,750	1,069,653	1,000,805	68,848
Engineering	1,753,175	1,557,651	1,573,344	(15,693)
Internal audit	114,610	116,462	60,838	55,624
Non-departmental	45,000	45,000	45,000	—
<b>Total general government</b>	<b>8,831,668</b>	<b>8,880,882</b>	<b>8,244,922</b>	<b>635,960</b>
<b>Public safety:</b>				
Police	7,801,177	8,337,860	7,918,206	419,654
Fire	7,341,362	7,510,439	7,497,595	12,844
<b>Total public safety</b>	<b>15,142,539</b>	<b>15,848,299</b>	<b>15,415,801</b>	<b>432,498</b>
<b>Public works</b>				
Public works	3,514,098	3,772,398	3,557,559	214,839
Community development	1,818,770	1,845,165	1,678,989	166,176
Culture and recreation	5,580,572	5,716,330	5,454,734	261,596
<b>Total expenditures</b>	<b>34,887,647</b>	<b>36,063,074</b>	<b>34,352,005</b>	<b>1,711,069</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>795,880</b>	<b>(234,369)</b>	<b>6,443,138</b>	<b>6,677,507</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	—	—	6,500	6,500
Transfers in	—	1,055,200	1,252,296	197,096
Transfers out	(6,178,826)	(6,203,777)	(6,242,551)	(38,774)
<b>Total other financing sources and uses</b>	<b>(6,178,826)</b>	<b>(5,148,577)</b>	<b>(4,983,755)</b>	<b>164,822</b>
<b>Net change in fund balances</b>	<b>(5,382,946)</b>	<b>(5,382,946)</b>	<b>1,459,383</b>	<b>6,842,329</b>
Fund balances, beginning of year	20,946,358	20,946,358	20,946,358	—
<b>Fund balances, end of year</b>	<b>\$15,563,412</b>	<b>\$15,563,412</b>	<b>\$22,405,741</b>	<b>\$6,842,329</b>

## Non major Governmental Funds

### Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures 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 that 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.

**Grant Capital 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, 2006

	Special Revenue					Capital Project		Total Nonmajor Governmental Funds
	Hotel Motel	Emergency 911	Impact Fee	Drug Enforcement	Grant Operating	Grant Capital	Bond III	
<b>Assets</b>								
Cash and cash equivalents	\$10,946	\$310,817	\$237,808	\$113,076	\$118,359	\$893,606	—	\$1,684,612
Investments	—	743,180	1,400,896	—	—	—	—	2,144,076
Taxes receivable	291,244	—	—	—	—	—	—	291,244
Accounts receivable	—	144,821	—	—	—	—	—	144,821
Prepaid expenditures	—	4,508	—	—	—	—	—	4,508
Restricted:								
Cash	—	—	—	—	—	—	\$1,811,355	1,811,355
Intergovernmental receivable	—	—	—	—	34,151	64,719	—	98,870
<b>Total assets</b>	<b>\$302,190</b>	<b>\$1,203,326</b>	<b>\$1,638,704</b>	<b>\$113,076</b>	<b>\$152,510</b>	<b>\$958,325</b>	<b>\$1,811,355</b>	<b>\$6,179,486</b>
<b>Liabilities</b>								
Accounts payable	\$174,881	\$21,495	—	\$767	—	\$44,092	\$187,320	\$428,555
Retainage payable	—	—	—	—	—	3,867	8,534	12,401
Accrued salaries	—	42,514	—	—	—	—	—	42,514
Due to other funds	116,587	—	—	—	—	—	—	116,587
Deferred revenue	—	—	—	—	\$34,151	62,371	—	96,522
<b>Total liabilities</b>	<b>291,468</b>	<b>64,009</b>	<b>—</b>	<b>767</b>	<b>34,151</b>	<b>110,330</b>	<b>195,854</b>	<b>696,579</b>
<b>Fund Balances</b>								
Reserved for:								
Prepaid items	—	4,508	—	—	—	—	—	4,508
Capital projects	—	—	1,638,704	—	—	847,995	1,615,501	4,102,200
Public safety	—	1,134,809	—	112,309	—	—	—	1,247,118
Unreserved, designated for:								
Grants	—	—	—	—	118,359	—	—	118,359
Operations	10,722	—	—	—	—	—	—	10,722
<b>Total fund balances</b>	<b>10,722</b>	<b>1,139,317</b>	<b>1,638,704</b>	<b>112,309</b>	<b>118,359</b>	<b>847,995</b>	<b>1,615,501</b>	<b>5,482,907</b>
<b>Total liabilities &amp; fund balances</b>	<b>\$302,190</b>	<b>\$1,203,326</b>	<b>\$1,638,704</b>	<b>\$113,076</b>	<b>\$152,510</b>	<b>\$958,325</b>	<b>\$1,811,355</b>	<b>\$6,179,486</b>

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

	Special Revenue					Capital Project		Total Nonmajor Governmental Funds
	Hotel Motel	Emergency 911	Impact Fee	Drug Enforcement	Grant Operating	Grant Capital	Bond III	
<b>Revenues</b>								
Hotel/Motel taxes	\$3,130,740	—	—	—	—	—	—	\$3,130,740
Charges for services	—	\$1,225,202	—	—	—	—	—	1,225,202
Impact fees	—	—	\$724,847	—	—	—	—	724,847
Forfeiture income	—	—	—	\$99,902	—	—	—	99,902
Intergovernmental	—	—	—	—	\$62,198	\$329,860	—	392,058
Contributions and donations	—	—	—	—	17,500	—	—	17,500
Investment earnings	—	28,454	50,596	2,939	—	—	\$53,383	135,372
<b>Total revenues</b>	<b>3,130,740</b>	<b>1,253,656</b>	<b>775,443</b>	<b>102,841</b>	<b>79,698</b>	<b>329,860</b>	<b>53,383</b>	<b>5,725,621</b>
<b>Expenditures</b>								
<b>Current:</b>								
General government	—	—	21,333	—	22,258	—	211	43,802
Culture and recreation	—	—	—	—	11,354	—	—	11,354
Public safety	—	1,371,727	—	111,840	24,827	—	—	1,508,394
Public works	—	—	—	—	37,637	—	—	37,637
Community development	1,878,444	—	—	—	—	—	—	1,878,444
Capital outlay	—	—	—	—	—	343,925	1,521,136	1,865,061
<b>Total expenditures</b>	<b>1,878,444</b>	<b>1,371,727</b>	<b>21,333</b>	<b>111,840</b>	<b>96,076</b>	<b>343,925</b>	<b>1,521,347</b>	<b>5,344,692</b>
Excess (deficiency) of revenues over (under) expenditures	1,252,296	(118,071)	754,110	(8,999)	(16,378)	(14,065)	(1,467,964)	380,929
<b>Other Financing Sources (Uses)</b>								
Transfers in	—	451,163	—	—	99,057	121,288	—	671,508
Transfers out	(1,252,296)	—	(525,000)	—	—	(94,280)	—	(1,871,576)
<b>Total other financing sources (uses)</b>	<b>(1,252,296)</b>	<b>451,163</b>	<b>(525,000)</b>	<b>—</b>	<b>99,057</b>	<b>27,008</b>	<b>—</b>	<b>(1,200,068)</b>
Net change in fund balances	—	333,092	229,110	(8,999)	82,679	12,943	(1,467,964)	(819,139)
Fund balances - beginning of year	10,722	806,225	1,409,594	121,308	35,680	835,052	3,083,465	6,302,046
<b>Fund balances - end of year</b>	<b>\$10,722</b>	<b>\$1,139,317</b>	<b>\$1,638,704</b>	<b>\$112,309</b>	<b>\$118,359</b>	<b>\$847,995</b>	<b>\$1,615,501</b>	<b>\$5,482,907</b>

**CITY OF ALPHARETTA**  
**HOTEL MOTEL FUND**

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Hotel motel tax	\$2,638,000	\$2,738,000	\$3,130,740	\$392,740
<b>Total revenues</b>	<b>2,638,000</b>	<b>2,738,000</b>	<b>3,130,740</b>	<b>392,740</b>
<b>Expenditures</b>				
Current:				
Community development	2,638,000	1,642,800	1,878,444	(235,644)
<b>Total expenditures</b>	<b>2,638,000</b>	<b>1,642,800</b>	<b>1,878,444</b>	<b>(235,644)</b>
Excess of revenues over expenditures	—	1,095,200	1,252,296	157,096
<b>Other Financing Uses</b>				
Transfers out	—	(1,095,200)	(1,252,296)	(157,096)
Net changes in fund balances	—	—	—	—
Fund balances - beginning of year	10,722	10,722	10,722	—
<b>Fund balances - end of year</b>	<b>\$10,722</b>	<b>\$10,722</b>	<b>\$10,722</b>	<b>—</b>

**CITY OF ALPHARETTA**  
**EMERGENCY 911 FUND**

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Charges for services	\$1,120,431	\$1,120,431	\$1,225,202	\$104,771
Investment earnings	2,500	2,500	28,454	25,954
<b>Total revenues</b>	<b>1,122,931</b>	<b>1,122,931</b>	<b>1,253,656</b>	<b>130,725</b>
<b>Expenditures</b>				
Current:				
Public safety	1,574,363	1,595,696	1,371,727	223,969
<b>Total expenditures</b>	<b>1,574,363</b>	<b>1,595,696</b>	<b>1,371,727</b>	<b>223,969</b>
Deficiency of revenues over expenditures	(451,432)	(472,765)	(118,071)	354,694
<b>Other Financing Sources</b>				
Transfers in	451,432	472,765	451,163	(21,602)
<b>Total other financing sources</b>	<b>451,432</b>	<b>472,765</b>	<b>451,163</b>	<b>(21,602)</b>
Net changes in fund balances	—	—	333,092	333,092
Fund balances - beginning of year	806,225	806,225	806,225	—
<b>Fund balances - end of year</b>	<b>\$806,225</b>	<b>\$806,225</b>	<b>\$1,139,317</b>	<b>\$333,092</b>

**CITY OF ALPHARETTA**

**IMPACT FEE FUND**

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<i>Revenues</i>				
Impact fees	\$425,190	\$1,333,701	\$724,847	\$(608,854)
Investment earnings	2,700	2,700	50,596	47,896
<b>Total revenues</b>	<b>427,890</b>	<b>1,336,401</b>	<b>775,443</b>	<b>(560,958)</b>
<i>Expenditures</i>				
Current:				
General government	12,756	12,756	21,333	(8,577)
<b>Total expenditures</b>	<b>12,756</b>	<b>12,756</b>	<b>21,333</b>	<b>(8,577)</b>
Excess of revenues over expenditures	415,134	1,323,645	754,110	(569,535)
<i>Other Financing Uses</i>				
Transfers out	(525,000)	(525,000)	(525,000)	—
<b>Total other financing uses</b>	<b>(525,000)</b>	<b>(525,000)</b>	<b>(525,000)</b>	<b>—</b>
Net changes in fund balances	(109,866)	798,645	229,110	(569,535)
Fund balances - beginning of year	1,409,594	1,409,594	1,409,594	—
<b>Fund balances - end of year</b>	<b>\$1,299,728</b>	<b>\$2,208,239</b>	<b>\$1,638,704</b>	<b>\$(569,535)</b>

**CITY OF ALPHARETTA**  
**DRUG ENFORCEMENT FUND**

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

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
<i>Revenues</i>				
Forfeiture income	\$65,000	\$65,000	\$99,902	\$34,902
Investment earnings	500	500	2,939	2,439
<b>Total revenues</b>	<b>65,500</b>	<b>65,500</b>	<b>102,841</b>	<b>37,341</b>
<i>Expenditures</i>				
Current:				
Public safety	87,521	208,829	111,840	96,989
<b>Total expenditures</b>	<b>87,521</b>	<b>208,829</b>	<b>111,840</b>	<b>96,989</b>
Net changes in fund balances	(22,021)	(143,329)	(8,999)	134,330
Fund balances - beginning of year	121,308	121,308	121,308	—
<b>Fund balances - end of year</b>	<b>\$99,287</b>	<b>\$(22,021)</b>	<b>\$112,309</b>	<b>\$134,330</b>

**CITY OF ALPHARETTA  
GRANT OPERATING FUND**

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
<i>Revenues</i>				
Intergovernmental	—	\$209,936	\$62,198	\$(147,738)
Contributions and donations	—	25,039	17,500	(7,539)
Contingencies	\$251,936	353,985	—	(353,985)
<b>Total revenues</b>	<b>251,936</b>	<b>588,960</b>	<b>79,698</b>	<b>(509,262)</b>
<i>Expenditures</i>				
Current:				
General government	—	33,988	22,258	11,730
Public works	—	142,719	37,637	105,082
Public safety	—	39,827	24,827	15,000
Culture and recreation	—	18,441	11,354	7,087
Contingencies	440,592	542,641	—	542,641
<b>Total expenditures</b>	<b>440,592</b>	<b>777,616</b>	<b>96,076</b>	<b>681,540</b>
Deficiency of revenues over expenditures	(188,656)	(188,656)	(16,378)	172,278
<i>Other Financing Sources</i>				
Transfers in	94,280	94,280	99,057	4,777
<b>Total other financing sources</b>	<b>94,280</b>	<b>94,280</b>	<b>99,057</b>	<b>4,777</b>
Net changes in fund balances	(94,376)	(94,376)	82,679	177,055
Fund balances - beginning of year	35,680	35,680	35,680	—
<b>Fund balances - end of year</b>	<b>\$(58,696)</b>	<b>\$(58,696)</b>	<b>\$118,359</b>	<b>\$177,055</b>

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

	Budget		Actual	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Property tax	\$6,471,256	\$6,471,256	\$6,821,554	\$350,298
Investment earnings	45,000	45,000	238,976	193,976
<b>Total revenues</b>	<b>6,516,256</b>	<b>6,516,256</b>	<b>7,060,530</b>	<b>544,274</b>
<b>Expenditures</b>				
Current:				
General government	15,000	15,000	15,000	—
Debt service:				
Principal	4,856,725	4,856,725	4,856,725	—
Interest	2,007,637	2,007,637	2,006,528	1,109
<b>Total expenditures</b>	<b>6,879,362</b>	<b>6,879,362</b>	<b>6,878,253</b>	<b>1,109</b>
Excess (deficiency) of revenues over expenditures	(363,106)	(363,106)	182,277	545,383
<b>Other Financing Sources (Uses)</b>				
Transfers in	3,050,000	3,050,000	3,050,000	—
<b>Total other financing sources</b>	<b>3,050,000</b>	<b>3,050,000</b>	<b>3,050,000</b>	<b>—</b>
Net change in fund balances	2,686,894	2,686,894	3,232,277	545,383
Fund balances - beginning of year	3,635,721	3,635,721	3,635,721	—
<b>Fund balances - end of year</b>	<b>\$6,322,615</b>	<b>\$6,322,615</b>	<b>\$6,867,998</b>	<b>\$545,383</b>

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

<i>Revenues</i>	
Investment earnings	\$843,295
<b>Total revenues</b>	<b>843,295</b>
 <i>Expenditures</i>	
Debt service:	
Principal	465,000
Interest	378,295
<b>Total expenditures</b>	<b>843,295</b>
Net change in fund balance	—
Fund balance - beginning of year	—
<b>Fund balance - end of year</b>	<b>—</b>



# 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 government’s overall financial health.

*Contents*

*Pages*

**Financial Trends** ..... 79–84

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

**Revenue Capacity** ..... 85–87

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

**Debt Capacity** ..... 88–89

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

**Demographic and Economic Information** ..... 90

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

**Operating Information** ..... 91–93

These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the services the government 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 government 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 FOUR FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2006	2005	2004	2003
<b>Governmental activities:</b>				
Invested in capital assets, net of related debt <sup>2</sup>	\$82,695,772	\$31,096,624	\$18,081,075	\$15,452,957
Restricted	14,392,861	12,951,724	12,540,493	16,990,626
Unrestricted	22,444,151	14,828,584	13,125,220	5,389,140
<b>Total governmental activities net assets</b>	<b>\$119,532,784</b>	<b>\$58,876,932</b>	<b>\$43,746,788</b>	<b>\$37,832,723</b>
<b>Business-type activities<sup>1</sup></b>				
Invested in capital assets, net of related debt	—	—	\$2,598,670	\$2,597,943
Restricted	—	—	1,649,342	1,645,519
Unrestricted	\$467,185	\$435,139	460,343	269,267
<b>Total business-type activities net assets</b>	<b>\$467,185</b>	<b>\$435,139</b>	<b>\$4,708,355</b>	<b>\$4,512,729</b>
<b>Primary government:</b>				
Invested in capital assets, net of related debt	\$82,695,772	\$31,096,624	\$20,679,745	\$18,050,900
Restricted	14,392,861	12,951,724	14,189,835	18,636,145
Unrestricted	22,911,336	15,263,723	13,585,563	5,658,407
<b>Total primary government net assets</b>	<b>\$119,999,969</b>	<b>\$59,312,071</b>	<b>\$48,455,143</b>	<b>\$42,345,452</b>

1. Changes in business-type activities between fiscal year 2005 and 2004 are largely due to the sale of the government's water system.
2. The increase in 2006 is due to an increase in annexations which resulted in a large addition to infrastructure.

**CITY OF ALPHARETTA**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS**  
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2006	2005	2004	2003
<b>Expenses</b>				
Governmental activities <sup>1</sup> :				
General government	\$8,990,207	\$8,380,030	\$5,736,222	\$7,089,104
Public safety	19,095,508	15,904,517	14,391,972	14,149,504
Public works	5,662,936	3,469,265	7,375,964	1,676,631
Community development	3,836,608	2,937,850	4,111,451	4,064,468
Culture and recreation	6,495,895	4,571,699	5,958,248	7,164,113
Interest on long-term debt	2,043,045	2,233,542	2,391,175	2,944,647
<b>Total governmental activities expenses</b>	<b>46,124,199</b>	<b>37,496,903</b>	<b>39,965,032</b>	<b>37,088,467</b>
Business-type activities:				
Water <sup>2</sup>	—	7,641,035	3,495,165	3,713,758
Solid Waste	2,231,660	1,934,505	1,823,049	1,742,504
<b>Total business-type activities expenses</b>	<b>2,231,660</b>	<b>9,575,540</b>	<b>5,318,214</b>	<b>5,456,262</b>
<b>Total primary government expenses</b>	<b>\$48,355,859</b>	<b>\$47,072,443</b>	<b>\$45,283,246</b>	<b>\$42,544,729</b>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services <sup>3</sup> :				
General government	\$4,299,561	\$641,391	\$560,148	\$465,150
Public safety	1,584,186	3,332,420	3,831,618	4,084,155
Public works	110,457	172,052	134,418	5,808
Community development	2,432,818	3,721,024	1,491,721	1,646,156
Culture and recreation	1,962,193	2,089,562	1,654,132	1,699,412
Operating grants and contributions	116,537	74,860	68,360	65,818
Capital grants and contributions <sup>4</sup>	53,542,116	5,819,430	514,766	77,594
<b>Total governmental activities program revenues</b>	<b>64,047,868</b>	<b>15,850,739</b>	<b>8,255,163</b>	<b>8,044,093</b>
Business-type activities:				
Charges for service:				
Water <sup>2</sup>	—	3,470,393	3,806,501	3,543,892
Solid waste	1,985,355	1,838,047	1,686,477	1,621,302
<b>Total business-type activities program revenues</b>	<b>1,985,355</b>	<b>5,308,440</b>	<b>5,492,978</b>	<b>5,165,194</b>
<b>Total primary government program revenues</b>	<b>\$66,033,223</b>	<b>\$21,159,179</b>	<b>\$13,748,141</b>	<b>\$13,209,287</b>
<b>Net (Expense)/Revenue:</b>				
Governmental activities	\$17,923,669	\$(21,646,164)	\$(31,709,869)	\$(29,044,374)
Business-type activities	(246,305)	(4,267,100)	174,764	(291,068)
<b>Total primary government net expense</b>	<b>\$17,677,364</b>	<b>\$(25,913,264)</b>	<b>\$(31,535,105)</b>	<b>\$(29,335,442)</b>

*continued*

**CITY OF ALPHARETTA**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)

*continued*

	Fiscal Year			
	2006	2005	2004	2003
<b><i>General Revenues and Other Changes in Net Assets</i></b>				
<b>Governmental activities:</b>				
Property taxes	\$21,015,938	\$18,591,907	\$17,327,608	\$17,441,980
Sales taxes	8,838,133	8,892,107	7,353,813	5,638,618
Franchise taxes <sup>5</sup>	4,170,781	2,938,193	—	—
Hotel/Motel occupancy tax <sup>5</sup>	3,130,740	2,705,566	—	—
Business taxes <sup>5</sup>	2,835,449	2,632,855	—	—
Other taxes <sup>5</sup>	1,886,529	1,614,539	12,223,068	11,359,475
Unrestricted investment earnings	1,105,481	975,868	204,192	660,410
Gain on sale of capital assets	—	23,351	14,095	35,303
Miscellaneous	—	80,706	501,158	878,320
Transfers	(250,868)	28,317	—	(60,000)
<b>Total governmental activities</b>	<b>42,732,183</b>	<b>38,483,409</b>	<b>37,623,934</b>	<b>35,954,106</b>
<b>Business-type activities:</b>				
Unrestricted investment earnings	27,483	22,201	10,643	26,211
Miscellaneous	—	—	10,189	4,581
Transfers	250,868	(28,317)	—	60,000
<b>Total business-type activities</b>	<b>278,351</b>	<b>(6,116)</b>	<b>20,832</b>	<b>90,792</b>
<b>Total primary government</b>	<b>\$43,010,534</b>	<b>\$38,477,293</b>	<b>\$37,644,766</b>	<b>\$36,044,898</b>
<b><i>Change in Net Assets</i></b>				
Governmental activities	\$60,655,852	\$16,837,245	\$5,914,065	\$6,909,732
Business-type activities	32,046	(4,273,216)	195,596	(200,276)
<b>Total primary government</b>	<b>\$60,687,898</b>	<b>\$12,564,029</b>	<b>\$6,109,661</b>	<b>\$6,709,456</b>

1. The changes in expenses are primarily due to capital expenditure variances from year to year.
2. The government sold the water system in 2005.
3. In 2006, charges for services were allocated among the functions differently than in prior years.
4. In 2006, the government's increased annexations resulted in a large addition to infrastructure which is reported as a capital contribution.
5. Franchise, Hotel/Motel occupancy, and Business taxes were included with Other taxes in 2003 and 2004.

**CITY OF ALPHARETTA**  
**GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE**  
**LAST FOUR FISCAL YEARS**  
 (ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	Sales Tax	Franchise Tax <sup>1</sup>	Hotel/Motel Occupancy Tax <sup>1</sup>	Business Taxes <sup>1</sup>	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	8,892,107	\$2,938,193	\$2,705,566	\$2,632,855	1,614,539	37,375,167
2006	21,015,938	8,838,133	4,170,781	3,130,740	2,835,449	1,886,529	41,877,570

1. These taxes previously reported under "Other Taxes" category for fiscal years 2003 and 2004.

**CITY OF ALPHARETTA**  
**FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
 (MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2006	2005	2004	2003	2002
General fund					
Reserved	\$416,165	\$381,148	\$910,188	\$746,100	\$360,366
Unreserved	21,989,576	20,565,210	17,675,936	13,182,532	11,755,347
<b>Total general fund</b>	<b>\$22,405,741</b>	<b>\$20,946,358</b>	<b>\$18,586,124</b>	<b>\$13,928,632</b>	<b>\$12,115,713</b>
All other governmental funds					
Reserved	\$15,644,487	\$13,927,318	\$13,303,127	\$17,064,512	\$17,207,639
Unreserved, reported in:					
Special revenue funds	129,081	46,402	10,722	813,753	867,236
Capital projects funds <sup>1</sup>	20,494,549	(2,687,361)	—	—	—
<b>Total all other governmental funds</b>	<b>\$36,268,117</b>	<b>\$11,286,359</b>	<b>\$13,313,849</b>	<b>\$17,878,265</b>	<b>\$18,074,875</b>
	2001	2000	1999	1998	1997
General fund					
Reserved	\$435,748	\$606,811	\$283,240	\$313,306	\$144,259
Unreserved	9,913,396	7,947,610	6,721,484	5,837,900	7,135,676
<b>Total general fund</b>	<b>\$10,349,144</b>	<b>\$8,554,421</b>	<b>\$7,004,724</b>	<b>\$6,151,206</b>	<b>\$7,279,935</b>
All other governmental funds					
Reserved	\$25,540,210	\$30,416,250	\$32,112,772	\$34,255,600	\$15,889,859
Unreserved, reported in:					
Special revenue funds	1,112,966	868,323	107,262	392,941	242,357
Capital project funds	—	—	82,099	357,535	402,369
<b>Total all other governmental funds</b>	<b>\$26,653,176</b>	<b>\$31,284,573</b>	<b>\$32,302,133</b>	<b>\$35,006,076</b>	<b>\$16,534,585</b>

1. The increase in 2006 is due to the issuance of the 2006 General Obligation Bonds.

**CITY OF ALPHARETTA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2006	2005	2004	2003	2002
<i>Revenues</i>					
Property taxes	\$20,918,071	\$18,723,147	\$17,230,919	\$17,594,524	\$17,594,368
Sales tax	8,838,133	7,748,031	7,353,813	5,638,618	—
Other taxes	12,023,499	11,147,065	12,111,232	11,359,475	12,724,882
Licenses and permits	2,428,720	2,276,966	1,321,281	1,096,780	1,433,757
Intergovernmental	416,456	196,872	1,171,126	470,698	1,177,823
Charges for services	4,189,487	3,919,248	3,311,125	3,292,827	3,362,948
Impact fees	724,847	1,312,996	425,190	760,135	722,324
Fines and forfeitures	2,820,273	1,952,446	2,358,334	2,084,267	936,527
Investment earnings	1,105,481	975,868	204,192	660,410	900,452
Miscellaneous	566,229	604,288	508,612	868,793	169,299
<b>Total revenues</b>	<b>54,031,196</b>	<b>48,856,927</b>	<b>45,995,824</b>	<b>43,826,527</b>	<b>39,022,380</b>
<i>Expenditures</i>					
General government	8,303,827	8,364,720	8,242,792	7,468,563	6,623,667
Public safety	16,924,195	14,540,215	13,349,993	12,375,049	11,753,268
Public works	3,595,196	3,381,817	3,001,165	3,150,609	3,858,352
Community development	3,557,433	2,863,836	2,659,983	3,807,186	—
Environmental services	—	—	—	—	352,538
Culture and recreation	5,466,088	5,643,779	5,452,189	4,976,514	4,591,862
Other	—	—	—	—	2,218,559
Capital outlay	9,274,131	8,090,107	7,030,850	4,004,921	10,880,338
Debt service:					
Principal	4,856,725	4,309,250	3,800,950	3,840,106	3,314,503
Interest	2,006,528	2,194,637	2,378,921	2,529,581	2,453,714
Other charges	171,700	—	—	32,992	—
<b>Total expenditures</b>	<b>54,155,823</b>	<b>49,388,361</b>	<b>45,916,843</b>	<b>42,185,521</b>	<b>46,046,801</b>
Excess (deficiency) of revenues over (under) expenditures	(124,627)	(531,434)	78,981	1,641,006	(7,024,421)
<i>Other financing sources (uses)</i>					
Transfers in	7,984,514	6,012,438	3,193,088	4,705,000	4,596,140
Transfers out	(8,235,382)	(5,984,082)	(3,193,088)	(4,765,000)	(4,763,444)
General obligation bond proceeds	26,290,000	—	—	—	—
Premium on bond issuance	520,136	—	—	—	—
Capital leases	—	—	—	—	—
Sale of capital assets	6,500	227,259	14,095	35,303	379,993
<b>Total other financing sources (uses)</b>	<b>26,565,768</b>	<b>255,615</b>	<b>14,095</b>	<b>(24,697)</b>	<b>212,689</b>
<b>Net change in fund balances</b>	<b>\$26,441,141</b>	<b>\$(275,819)</b>	<b>\$93,076</b>	<b>\$1,616,309</b>	<b>\$(6,811,732)</b>
<i>Debt service as a percentage of noncapital expenditures</i>					
Total debt service expenditures	18.6%	18.7%	18.9%	20.1%	19.6%
Total non-capital expenditures	7,034,953	6,503,887	6,179,871	6,402,679	5,768,217
	37,846,739	34,794,367	32,706,122	31,777,921	29,398,246

*continued*

**CITY OF ALPHARETTA**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**LAST TEN FISCAL YEARS**  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

*continued*

	2001	2000	1999	1998	1997
<i>Revenues</i>					
Property taxes	\$16,657,914	\$16,538,295	\$10,380,518	\$9,083,701	\$7,956,541
Sales tax	—	—	—	—	—
Other taxes	13,229,960	10,176,359	9,060,404	7,207,892	6,140,202
Licenses and permits	2,198,676	2,587,950	2,647,561	3,754,742	3,517,099
Intergovernmental	958,311	418,308	653,197	2,785,768	1,536,074
Charges for services	3,422,067	4,078,572	3,460,738	2,790,772	2,358,137
Impact fees	1,258,504	2,861,705	2,616,989	2,155,755	1,901,567
Fines and forfeitures	468,886	462,580	522,299	453,961	549,031
Investment earnings	2,306,975	2,248,737	1,937,724	1,567,710	1,350,833
Miscellaneous	427,064	500,863	1,767,038	3,763,128	2,376,853
<b>Total revenues</b>	<b>40,928,357</b>	<b>39,873,369</b>	<b>33,046,468</b>	<b>33,563,429</b>	<b>27,686,337</b>
<i>Expenditures</i>					
General government	7,967,575	7,075,001	5,742,474	4,439,367	4,042,873
Public safety	10,088,217	7,468,974	6,475,452	5,637,308	4,660,338
Public works	3,730,234	4,407,066	4,341,789	3,418,931	2,909,342
Community development	—	—	—	—	—
Environmental services	329,794	240,963	—	—	—
Culture and recreation	4,375,821	3,606,710	2,957,415	2,417,753	1,828,203
Other	—	5,158	551,899	66	581
Capital outlay	11,043,110	11,301,944	10,529,285	21,402,865	13,956,389
Debt service:					
Principal	2,555,498	2,532,019	2,533,809	2,335,661	1,976,478
Interest	3,507,597	3,098,360	3,395,980	2,183,100	2,226,680
Other charges	—	—	—	330,369	—
<b>Total expenditures</b>	<b>43,597,846</b>	<b>39,736,195</b>	<b>36,528,103</b>	<b>42,165,420</b>	<b>31,600,884</b>
Excess (deficiency) of revenues over (under) expenditures	(2,669,489)	137,174	(3,481,635)	(8,601,991)	(3,914,547)
<i>Other financing sources (uses)</i>					
Transfers in	2,960,349	7,231,960	7,976,922	7,320,805	3,866,245
Transfers out	(3,390,149)	(7,231,960)	(7,976,922)	(7,320,805)	(3,866,245)
General obligation bond proceeds	—	—	—	25,449,972	—
Premium on bond issuance	—	—	—	—	—
Capital leases	260,089	312,724	—	279,486	1,674,580
Sale of capital assets	2,526	82,238	1,699,156	147,349	15,550
<b>Total other financing sources (uses)</b>	<b>(167,185)</b>	<b>394,962</b>	<b>1,699,156</b>	<b>25,876,807</b>	<b>1,690,130</b>
<b>Net change in fund balances</b>	<b>\$(2,836,674)</b>	<b>\$532,136</b>	<b>\$(1,782,479)</b>	<b>\$17,274,816</b>	<b>\$(2,224,417)</b>
<i>Debt service as a percentage of noncapital expenditures</i>					
	22.9%	24.7%	29.5%	30.5%	31.3%
Total debt service expenditures	6,063,095	5,630,379	5,929,789	4,849,130	4,203,158
Total non-capital expenditures	26,491,641	22,803,872	20,069,029	15,913,425	13,441,337

**CITY OF ALPHARETTA**  
**GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE**  
**LAST FOUR FISCAL YEARS**  
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax	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
2006	20,918,071	8,838,133	4,170,781	1,422,656	1,247,570	5,182,492	41,779,703

*Note: Other taxes include intangible, real estate transfer, hotel/motel, business & occupation, insurance premium, and financial institution taxes.*

**CITY OF ALPHARETTA**  
**HOTEL/MOTEL COLLECTIONS AND EXPENDITURES**  
JUNE 30, 2006

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%	\$3,130,740	\$3,130,740	—	\$3,130,740	100%

*This page is included as the government's compliance with the State reporting laws on Hotel/Motel Occupancy tax.*

*Collection period from July 1, 2005 to June 30, 2006*

**CITY OF ALPHARETTA**  
**ASSESSED AND ESTIMATED ACTUAL VALUE – ALL TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential	Commercial	Motor Vehicles	Other					
1997	\$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	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	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	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	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	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	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	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	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%
2006	1,240,207,540	1,825,547,513	180,951,120	72,799	317,149,382	2,929,629,590	7.00	8,116,947,430	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 fiscal year 2001.*

**CITY OF ALPHARETTA**  
**PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS**  
**PER \$1,000 OF ASSESSED VALUE**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Tax Year	Overlapping Districts											Direct & Overlapping Rates
		City of Alpharetta			Fulton County			School District			Grady Hospital	State	
		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			
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
2006	2005	4.550	2.450	7.000	11.581	0.064	11.645	17.825	0.282	18.107	—	0.250	37.002

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**  
**ALL OVERLAPPING GOVERNMENTS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	State of Georgia	Local Option Sales Tax	Metropolitan Atlanta Regional Transportation	Fulton County Board of Education	Total Overlapping Rates
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
2006	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 received 4.27% of the Local Option Sales Tax collected on a county-wide basis.

**CITY OF ALPHARETTA**  
**PRINCIPAL PROPERTY TAXPAYERS**  
**CURRENT AND NINE YEARS AGO**

Taxpayer	2006			1997		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
GNP Northpont	\$29,149,600	1	0.99%	\$32,012,240	1	3.04%
Imperatum Georgia LLC	18,636,160	2	0.64	—	—	—
HBO & Company	18,137,590	3	0.62	—	—	—
Gardner Drive LLC	17,996,340	4	0.61	—	—	—
AT&T Resource Mgmt Corp	14,606,710	5	0.50	29,026,519	2	2.76
Allianz Life Insurance Company	14,551,000	6	0.50	—	—	—
Digital Equipment	12,594,720	7	0.43	11,783,780	5	1.12
AMLI at Milton Park LLC	12,247,880	8	0.42	—	—	—
Weeks Realty LP	11,329,120	9	0.39	—	—	—
CP Venture Two LLC	11,166,600	10	0.38	—	—	—
Cousins Properties	—	—	—	18,945,577	3	1.80
State Farm Mutual	—	—	—	14,600,000	4	1.39
North Point Market	—	—	—	11,476,799	6	1.09
Wade Williams	—	—	—	9,754,940	7	0.93
Holder Windward	—	—	—	8,382,881	8	0.80
Governor's Point	—	—	—	7,668,561	9	0.73
Development Authority	—	—	—	7,598,560	10	0.72
<b>Totals</b>	<b>\$160,415,720</b>		<b>5.48%</b>	<b>\$151,249,858</b>		<b>14.36%</b>

Source: Fulton County Board of Assessors

**CITY OF ALPHARETTA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Tax Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Pct. of Levy		Amount	Pct. of Levy
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	67,128	18,255,928	99.95
2006	2005	19,464,408	19,277,210	99.04	—	19,277,210	99.04

**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 <sup>1</sup>	Per Capita <sup>1</sup>
	General Obligation Bonds	Capital Leases	Notes Payable	Revenue Bonds	Notes Payable	Capital Leases			
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
2006	62,410,000	—	1,351,350	—	—	—	63,761,350	3.35%	1,322

*Note: Details regarding the government'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 <sup>1</sup>	Per Capita <sup>2</sup>
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
2006	62,410,000	0.77	1,294

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

*(1) See the Schedule on Assessed Value and Estimated Actual Value of Taxable Property for property value data.*

*(2) Population data can be found in the schedule of Demographic and Economic Statistics.*

**CITY OF ALPHARETTA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
AS OF JUNE 30, 2006

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Alpharetta <sup>1</sup>	Amount Applicable to City of Alpharetta
Overlapping General Obligation Debt:			
Fulton County	\$14,381,148	12.4%	\$1,783,262
Fulton County School District	203,740,000	13.5%	27,504,900
Subtotal, overlapping debt	218,121,148		29,288,162
City of Alpharetta direct debt	62,410,000	100.0%	62,410,000
<b>Total direct and overlapping debt</b>	<b>\$280,531,148</b>		<b>\$91,698,162</b>

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

Debt outstanding data provided by Fulton 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. 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**

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Debt limit	\$324,677,897	\$312,059,243	\$292,126,793	\$285,307,902	\$250,441,740	\$233,798,932	\$159,193,770	\$148,975,975	\$115,123,240	\$95,823,204
Total net debt applicable to limit	55,542,002	37,264,279	43,713,374	47,740,553	51,805,520	54,607,811	56,490,402	57,495,900	58,404,247	35,093,157
Legal debt margin	\$269,135,895	\$274,794,964	\$248,413,419	\$237,567,349	\$198,636,220	\$179,191,121	\$102,703,368	\$91,480,075	\$56,718,993	\$60,730,047
Total net debt applicable to the limit as a percentage of debt limit	17%	12%	15%	17%	21%	23%	35%	39%	51%	37%

**LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR 2006**

Assessed value	\$2,929,629,590
Add back: exempt real property	317,149,382
Total assessed value	3,246,778,972
Debt limit (10% of total assessed value)	324,677,897
Debt applicable to limit:	
General obligation bonds	62,410,000
Less: Amount set aside for repayment of general obligation debt	(6,867,998)
Total net debt applicable to limit	55,542,002
Legal debt margin	\$269,135,895

**CITY OF ALPHARETTA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Population <sup>1</sup>	Personal Income	Per Capita Personal Income <sup>2</sup>	Median Age <sup>3</sup>	Education Levels in Years of Formal Schooling <sup>4</sup>	School Enrollment <sup>4</sup>	Unemployment Rate <sup>2</sup>
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
2006	48,240	1,902,199,680	39,432	33.0	16.0	19,598	3.5

*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 2006 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 FIVE YEARS AGO**  
**AS OF DECEMBER 31**

Employer	2006			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
AT & T	2,000	1	1.67%	2,700	1	2.32%
ADP	1,800	2	1.50	—	-	—
McKesson HBOC	1,400	3	1.17	1,722	4	1.48
Hewlett Packard	1,251	4	1.04	—	-	—
Cingular	1,200	5	1.00	—	-	—
Choice Point	1,102	6	0.92	650	10	0.56
Radiant Systems	925	7	0.77	1,000	7	0.86
Lucent	906	8	0.76	1,119	6	0.96
General Electric	848	9	0.71	—	-	—
UPS Supply Chain Solutions	758	10	0.63	—	-	—
Nortel Networks	—	-	—	2,700	2	2.32
Compaq	—	-	—	1,810	3	1.55
Verizon	—	-	—	1,500	5	1.29
WorldCom	—	-	—	1,000	8	0.86
MetLife	—	-	—	800	9	0.69
<b>Total</b>	<b>12,190</b>		<b>10.17%</b>	<b>15,001</b>		<b>12.89%</b>

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									
	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
General government										
Mayor and City Council										
Elected officials	6	7	7	7	7	7	7	7	7	7
City Administrator										
Full-time personnel	7	5	8	9	7	7	7	7	7	7
Part-time personnel	2	1	-	-	-	-	-	-	-	-
City Clerk										
Full-time personnel	2	3	-	-	-	-	-	-	-	-
Engineering										
Full-time personnel	23	23	21	20	20	17	17	12	12	12
Environmental Services										
Full-time personnel	-	-	-	-	-	5	-	-	-	-
Finance										
Full-time personnel	21	21	22	22	20	14	13	12	12	10
Part-time personnel	-	2	2	1	2	-	-	-	-	-
Human Resources										
Full-time personnel	6	6	6	6	6	5	4	4	3	3
Municipal Court										
Elected officials	1	1	1	1	1	1	1	1	1	1
Full-time personnel	6	6	6	5	3	3	3	3	3	3
Part-time personnel	-	1	-	-	1	1	1	-	-	-
Public Information										
Full-time personnel	1	2	2	2	-	-	-	-	-	-
Technology Services										
Full-time personnel	8	8	6	5	5	5	5	4	3	3
Part-time personnel	-	-	-	1	1	1	-	-	-	-
Community Development										
Full-time personnel	18	20	20	20	20	20	20	20	20	18
Public Safety										
Police	-	-	-	-	-	-	-	-	85	79
Full-time certified officers	84	76	74	72	70	62	66	66	-	-
Full-time uncertified officers	3	1	-	-	1	2	-	-	-	-
Full-time civilian	27	30	30	27	34	36	29	29	-	-
Part-time civilian	2	3	3	3	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Full-time certified firefighters	77	83	81	74	69	64	62	45	62	58
Part-time certified firefighters	3	3	3	3	3	4	4	21	-	-
Full-time uncertified firefighters	6	1	-	4	5	2	5	8	-	-
Full-time support personnel	1	1	1	1	1	1	1	1	-	-
Public works										
Full-time personnel	31	35	35	35	31	24	22	35	30	33
Culture and recreation										
Full-time personnel	50	50	50	50	49	44	44	36	31	33
<b>Total</b>	<b>385</b>	<b>389</b>	<b>378</b>	<b>368</b>	<b>356</b>	<b>325</b>	<b>311</b>	<b>311</b>	<b>276</b>	<b>267</b>

Source: City of Alpharetta Budget Office

**CITY OF ALPHARETTA**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST FOUR FISCAL YEARS**

<i>Function</i>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>General government</b>				
Ordinances approved	30	25	30	22
Special events held	38	39	38	38
Court cases heard	12,342	12,499	12,342	11,733
Bond rating	Aa1-AA+	Aa1-AA+	Aa1-AA+	Aa1-AA+
Software applications supported	60	66	60	55
Grants managed	16	17	16	-
<b>Police</b>				
Calls for service	52,056	45,731	52,056	50,266
Part 1 crimes reported	1,922	1,445	1,727	1,661
Traffic citations issued	16,100	15,290	22,860	24,757
<b>Fire</b>				
Incident responses	5,113	5,119	4,909	4,472
Average response time	5:29	12:04	12:04	12:04
Fire safety programs conducted	203	299	203	321
Inspections conducted	4,646	5,753	4,646	3,619
<b>Highways and streets</b>				
Traffic signals timed	N/A	41	N/A	N/A
Average days to repair pothole	25	2	25	N/A
Stormwater plans reviewed	68	60	68	82
<b>Community development</b>				
New building permits issued	3,855	3,800	3,855	3,794
Parcels annexed	352	352	352	91
<b>Culture and recreation</b>				
Park acres maintained	300	306	300	300
Greenway acres maintained	200	200	200	200
Annual program registrants	23,500	23,791	23,500	23,612

*Source: Various City departments*

*Note: Indicators are not available prior to 2003*

**CITY OF ALPHARETTA**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

<i>Function</i>	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
<b>Police</b>										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units and support vehicles	110	97	89	86	72	75	58	63	67	63
Police motorcycles	6	6	4	6	6	2	3	7	4	4
<b>Fire</b>										
Fire stations	6	4	5	5	5	5	5	5	5	5
Ladder units - in service	2	3	2	2	2	2	2	2	2	2
Ladder units - reserve	-	1	1	1	1	1	-	-	-	-
Pumper units - in service	6	5	5	5	5	5	5	5	5	4
Pumper units - reserve	2	2	2	2	2	2	2	2	2	1
<b>Highways and streets</b>										
Streets - paved (miles)	257	217	211	206	200	194	189	183	177	172
Streets - unpaved (miles)	2	1	2	2	2	2	2	2	2	2
Sidewalk (miles)	143	116	N/A							
Drainage - piped (miles)	90	40	40	40	35	34	35	35	26	25
Drainage - open (miles)	157	140	140	140	143	143	143	143	127	125
<b>Culture and recreation</b>										
Parks - active and passive	9	9	7	7	7	7	7	7	7	7
Park acreage	769	769	769	764	537	537	537	440	440	393
Greenway and walking trails (miles)	11	11	10	6	6	6	4	4	4	4
Adaptive athletic fields	1	1	-	-	-	-	-	-	-	-
Athletic fields	29	29	29	28	28	28	28	28	21	17
Equestrian facilities	1	1	1	1	1	1	1	1	1	1
Hockey rinks	2	2	2	2	2	2	2	2	1	-
Swimming pools	2	2	2	2	1	1	1	1	1	1
Tennis courts	17	17	17	17	11	11	3	7	7	7
Recreation buildings	11	11	11	11	7	7	7	7	7	7
Playgrounds	6	6	5	4	4	4	4	4	4	4
Picnic shelters/restrooms	23	23	23	21	15	15	15	14	12	9

*Sources: Various government departments.*

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



**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**

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**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, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 9, 2007. 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.

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**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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item **06-1**.

We also noted certain matters that we reported to management of the City, in a separate letter dated January 9, 2007.

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  
January 9, 2007

# SCHEDULE OF FINDINGS AND RESPONSES

## CITY OF ALPHARETTA, GEORGIA SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED JUNE 30, 2006

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### SECTION I SUMMARY OF AUDIT RESULTS

#### Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

yes  no

Reportable conditions identified not considered  
to be material weaknesses?

yes  none reported

Noncompliance material to financial statements noted?

yes  no

#### Federal Awards

There was not an audit of major federal award programs as of June 30, 2006 due to the total amount expended being less than \$500,000.

**CITY OF ALPHARETTA, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED JUNE 30, 2006**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**06-1. Multiyear Contracts**

Criteria – If a local government has any multiyear leases, purchase agreements or lease purchase contracts that provided for automatic renewal, the contract should include a clause allowing the local government to terminate the contract if funds are not appropriated, per Official Code of Georgia Annotated (OCGA) 36-60-13(b)(1).

Condition – As of June 30, 2006, the City was contracted in a multiyear lease for the finance department's office space, which did not include a clause to allow the contract to be terminated if funds were not appropriated in the subsequent year.

Context – The multiyear lease contract entered into by the City did not include the necessary clause to allow the City to terminate the contract, if appropriation of funds was not made in the subsequent year.

Effect – The City is in violation of the OCGA as of June 30, 2006.

Cause – The City entered into a multiyear contract without including appropriate verbiage as required by the OCGA.

Recommendations – The City should carefully review all open contracts, and make necessary adjustments, to comply with State law and ensure that all multiyear contracts subsequently entered into include the appropriate clauses.

Response – We concur. The City will carefully review all open contracts, and make necessary adjustments, to comply with State law and ensure that all multiyear contracts subsequently entered into include the appropriate clauses.

**SECTION III**  
**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

Not Applicable

## NOTES





Department of Finance  
2400 Lakeview Parkway  
Suite 175  
Alpharetta GA 30004