



City of Atlanta, Georgia

Comprehensive Annual Financial Report

For the year ended December 31, 2003

SHIRLEY FRANKLIN
Mayor

Richard J. Anderson, Chief Financial Officer

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CITY OF ATLANTA, GEORGIA
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2003

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CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

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RICHARD J. ANDERSON
CHIEF FINANCIAL OFFICER
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June 16, 2004

Honorable City Council President
Honorable Members, Atlanta City Council
City of Atlanta, Georgia

Ladies and Gentlemen:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements, presented in conformity with accounting principles generally accepted in the United States of America (GAAP). The law further requires that these statements be audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. In accordance with these requirements, we hereby issue the comprehensive annual financial report of the City of Atlanta for the fiscal year ended December 31, 2003.

This report consists of management's representations concerning the finances of the City of Atlanta. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Atlanta has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse, and to compile sufficient reliable information for the preparation of the City of Atlanta's financial statements in conformity with GAAP. The cost of internal controls should never outweigh their benefits. A comprehensive framework of internal controls has been designed to provide reasonable, rather than absolute, assurance that the financial statements are free from material misstatement. As management, we assert, to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

In accordance with Section 6-308 of the City Charter, the governing body shall provide annually for an independent audit of the accounts and other evidences of financial transactions of the City. This audit is to be performed by a certified public accounting firm. The City of Atlanta's financial statements have been audited by Ernst and Young, LLP, with Minority -Owned Subcontractor Banks, Finley, White & Company, CPAs, and Female-Owned Subcontractor D. Fox and Associates. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City of Atlanta for the fiscal year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor rendered an unqualified opinion on the governmental activities, business-type activities, each major fund and the aggregate remaining

fund information. The independent auditor issued a disclaimer of opinion on the aggregate discretely present component units due to unaudited financial information being included for the Atlanta-Fulton County Recreation Authority (the Authority). The audit of the Authority is performed by an independent auditor engaged by them, and their audit report will not be available until July 30, 2004. The report of the city's independent auditor is presented at the beginning of the financial section of this report.

The independent audit of the financial statements of the City of Atlanta was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports will be available in the City of Atlanta's separately issued Single Audit Report.

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

Local Economy

The City of Atlanta maintains a stable economic base, primarily attributable to its diverse employment sectors and its strategic location within the southeast region. The City's diverse mix of industries is anchored by government, services, trade, education, finance, insurance and real estate, and manufacturing sectors. The City's population has increased, according to the 2000 U.S. Census, by 22,714 residents over 1990. The population gains have been accompanied by an increase in *per capita* wages and salaries. Atlanta's economic base is further strengthened by a highly-integrated transportation network, consisting of three major interstate highways (I-20, I-75 and I-85), a beltway (I-285), extensive public transportation which includes MARTA and four regional bus systems serving the central city. Current expansions at Hartsfield-Jackson Atlanta International Airport will add a fifth runway, a new international terminal and other facilities valued at \$5.4 billion. The airport, which is a regional economic engine, has consistently been ranked as the busiest passenger airport in the world. The City's designation as a Renewal Community by the U.S. Department of Housing and Urban Development will assist in promoting further economic development and affordable housing. The Atlantic Station mixed-use development and the Aquarium project are expected to further strengthen the City's core business districts.

The economic outlook is sound with moderate employment gains expected over the short term. The Atlanta economy is expected to continue to benefit from a diverse economic base and strategic location in the southeast region.

Profile of the Government

The City of Atlanta, incorporated in 1847, is located in the north-central part of the state. For over three decades, metropolitan Atlanta has been one of the highest growth areas of the country. The City of Atlanta occupies a land area of 131.4 square miles, with a population of 416,474

according to the 2000 U.S. Census. The City of Atlanta is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City of Atlanta's policy-making and legislative authority are vested in a governing council consisting of fifteen members and an elected City Council President, who serves as presiding officer. The governing council's primary responsibilities are passing ordinances, adopting the budget, and setting policy for the City. The government's mayor is responsible for carrying out the policies and ordinances of the City, for overseeing the day-to-day operations of the government, and for appointing and directing the heads of the various departments. The Council is elected on a non-partisan basis. Councilmembers serve four-year terms, as does the Mayor. The mayor is limited to two consecutive terms. There are no term limits on Councilmembers or the Council President. Twelve of the Councilmembers are elected by district. The Mayor, the three remaining Councilmembers and the Council President are elected at large.

The City of Atlanta provides a full range of municipal services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; land use and building regulation; water treatment and distribution; stormwater and wastewater collection and treatment; and solid waste collection and disposal. Water and wastewater services are provided to a service area and customer base that includes the City and portions of surrounding jurisdictions. The water and wastewater system is funded through user fees and inter-jurisdictional agreements. The City accounts for solid waste collection and disposal activities separately within the reporting entity and attempts to recover operating costs of the function through user charges. The City operates and maintains the world's busiest airport, financed exclusively with airport-generated income. The City's governing body has oversight responsibility for the City's Pension Trust Funds and Group Insurance Fund. In addition, the City is financially accountable as of December 31, 2003 for the Atlanta-Fulton County Recreation Authority, the Urban Design Commission (UDC), the Solid Waste Management Authority (SWMA), the Atlanta Empowerment Zone Corporation (AEZC), and the Atlanta Development Authority (ADA), all of which were included as part of the City's year 2003 reporting entity. Certain organizations are not included within the scope of this report since they are established by the Constitution of the State of Georgia or state laws and are administered by separate boards that act independently of the City of Atlanta. These include the Atlanta Board of Education and the Atlanta Housing Authority. Additional information on all three of these legally separate entities can be found in Note I.A in the notes to the financial statements.

Budget Process and Fiscal Policies. The City of Atlanta utilizes an executive budget process, in which all departments submit budget requests to the Mayor, who proposes a budget to the City Council. The Council Finance Committee holds at least one public hearing during the time it is deliberating the budget. Council then may modify that proposed budget and formally adopts the budget by Ordinance. Under the City Charter, budget adoption must take place by the second Council meeting in the second month of the fiscal year (February). Beginning in December of 2002, the City has established a policy of adopting a tentative budget that is effective from January 1 until final budget adoption as provided by the City Charter.

Under the provisions of a budget law adopted in 1937, the Mayor and Council are restricted in budget making to utilize the estimates of revenue availability set by the Budget Commission of the City. The Budget Commission is made up of the Mayor, the Chairperson of the Council Finance Committee, the Chief Financial Officer, and two Council members appointed by the Mayor. In the absence of any rate change, the Budget Commission is restricted to setting revenue estimates no higher than ninety-nine percent (99%) of the prior year's actual receipts in each

revenue category. Additionally, Budget Commission members are personally liable for any revenue shortfall.

The City is required to adopt a balanced budget each year, and maintains budgetary controls to ensure compliance with legal provisions of the annual budget approved by the Mayor and City Council. A Budget Report and Capital Improvement Plan are published each year. Activities of the general fund, special revenue funds and the debt service fund are included in the annual budget. Project life financial plans are adopted for the capital project funds. The official level of the City budget control (the level at which expenditures may not legally exceed appropriations) for each legally adopted annual operating budget is the department, function or activity, and major category or expenditure group within fund. Budgets for capital projects and grant projects are adopted at the project level within departments and fund, but budgets may be adopted for each category of expenditure within projects, if necessary, to meet grantor or other control requirements. Transfers of appropriations within the budget of a department in the operating, internal service, and grant funds of the City may be authorized by the approval of the affected department head, the Chief Financial Officer, the Chief Operating Officer, and the chairperson of the Council Finance Committee. Such transfers are filed with the City Council, but require no Council action. Transfers of appropriations from one department to another require an ordinance adopted by City Council and approved by the Mayor. The City's budget procedures, together with such procedures for included component units, are more fully explained in the accompanying "Notes to the General Purpose Financial Statements." The City maintains an encumbrance accounting system and an allotment system to accomplish budgetary control. Appropriations for encumbered amounts at year-end are usually carried forward to the ensuing year if they exceed a certain percentage of the ensuing year's budget, are contractually obligated or dedicated for approved projects or programs.

Long Term Capital Planning. The City's approach to long term capital planning is guided by the development of the Comprehensive Development Plan and the Capital Improvement Program. The Comprehensive Development Plan (CDP) captures the City's vision for the next 5, 10 and 15 years and identifies the City's needs and policies while recommending future projects for implementation. Citizen input is vital to the CDP and is obtained through Neighborhood Planning Units that serve as citizen advisory councils, making recommendations to the Mayor and City Council on zoning, land-use and other planning issues.

The Capital Improvement Program (CIP) covers a 10-year period and identifies the specific improvements to City infrastructure and facilities that are needed to support and implement the CDP. The CIP is intended to ensure that necessary projects will be undertaken according to an established set of priorities and that revenue will be available to finance such projects when they are needed. Both the CDP and CIP are updated annually.

City Infrastructure. In the early 1990s, the City of Atlanta embarked on an aggressive program to rehabilitate and improve infrastructure throughout the City. These wide-ranging construction and infrastructure improvements could not be funded through existing means because of the annual General Obligation (G.O.) debt limit of \$8 million imposed by the Georgia Constitution. As a result, a voter referendum was needed to approve bond funding for capital improvements throughout the City.

In 1994, a \$150 million G.O. bond referendum was approved for streets and bridges, traffic control, storm drainage, and flood and erosion control. This initial program was followed by another voter referendum in November 2000, approving additional capital projects to improve the quality of life for Atlanta citizens through infrastructure improvements. This second referendum

gave approval for another \$150 million in bond indebtedness for sidewalks, new streetscapes, public plazas and green spaces, traffic control devices, and additional street improvements.

To promote economic development in undeveloped or underdeveloped areas, the City issues limited obligation Tax Allocation District (TAD) bonds. TAD bonds are limited obligations of the City, not secured by the full faith and credit of the City, but rather secured solely by and payable from pledged revenues. The pledged revenues are the tax increments, or the amount of property taxes generated within the TAD that exceed the amount collected from the same area prior to development. Tax allocation districts have proven to be an effective and useful economic development tool. Bonds for two TADs were issued in 2001, and the City established three additional TADs in 2004.

Municipal Facilities. In the development of the CIP, the City assesses its need for general government improvements and identifies appropriate fund sources and priorities for construction of and improvements to municipal facilities. To that end, the City continues to utilize an annual \$8 million G.O. debt issuance with the proceeds shared equally with the Atlanta Board of Education. City proceeds are used to construct or renovate municipal facilities such as police precincts, fire stations, maintenance facilities, general office buildings and recreation centers. The Atlanta Board of Education's proceeds are used to make capital improvements to the school system.

Hartsfield-Jackson Atlanta International Airport. Hartsfield-Jackson Atlanta International Airport is the principal air carrier airport in Georgia and the southeastern United States. It serves as a primary connecting or transfer point in the national air transportation system. In 2003, more than 79.1 million passengers were enplaned or deplaned at the Atlanta Airport, making it the busiest passenger airport in the world according to the Airport Council International. Atlanta's Airport is widely considered to be the economic engine of the southeastern United States. Recognizing the pivotal role played by the Airport, the City has adopted a capital improvement plan, entitled "Hartsfield 2000 and Beyond", to increase airfield capacity and provide additional terminal facilities required to accommodate increased operations and passenger activity at the Airport.

Initial construction of elements of the Airport's Capital Improvement Plan began in 1999 and the plan is expected to be completed by 2012. The CIP includes, among other things, the construction of a 9,000 foot fifth parallel runway, a new South Terminal, a new International Terminal, a consolidated rental care facility, improvements to air cargo facilities, and renovations to the existing terminal complex. The cost of the Airport CIP is currently estimated at approximately \$6.7 billion. These costs also include required new security improvements as a result of the enactment of the Aviation and Transportation Security Act and the Homeland Security Act. The majority of the Airport CIP projects will be funded by revenue bond issues.

Water and Sewer Infrastructure. A major component of the City's long-term capital planning for water and wastewater has been driven by federal and state consent decrees and orders that require the correction of problems caused by the City's outdated combined sewer facilities and water treatment plants that provide drinking water. Upgrades and improvements are required to address wastewater treatment facilities, pretreatment requirements, and capacity issues of the sewerage collection and transmission system city-wide that has been neglected for decades. Improvements to the wastewater system must be completed by 2014, and together with improvements to the drinking water system, will cost approximately \$3.2 billion in. The majority of the water and wastewater improvements will be funded by a planned series of revenue bond

issues over the next five years, supported by rate increases for both retail and wholesale users of the City's water and wastewater system.

Cash Management Policies and Practices. With the exception of the pension of funds and certain long-term investment funds, the City's investments are placed primarily in money market instruments. These instruments include: U.S. government obligations (Treasury securities, agency and instrumentality securities); depository instruments such as certificates of deposit with commercial banks; repurchase agreements (repos); and the State Treasurer's pooled investment vehicle, "Georgia Fund 1." The maturity periods for the investments range from overnight to five years. The average yield on investments was 2.3 percent for government and an average yield of 4.9 percent for the pension trust fund. The higher rate of return for the pension trust is attributable to the long-term character and market sector of most of its investment holdings. Investment income includes appreciation in the fair market value of investments. Increases in fair market value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such gains, especially in the case of temporary changes in the fair market value of investments held until maturity.

Risk Management. The City's Risk Management Program is authorized to protect the City's assets from loss and minimize the financial burden incurred by the City as a result of work related injuries, damage to city property, damages incurred by third parties when the City is held liable and vendor performance deficiencies on city contracts. To address this mission, the Risk Management Program identifies and evaluates exposure to loss, recommends changes in procedures to mitigate loss or exposure to loss, arranges for appropriate insurance for the transfer of risk, and approves all insurance purchases.

The City maintains Airport Liability Insurance, Ambulance Liability Insurance for its Airport transport units, Property Insurance for the Airport and all other city owned facilities and other coverage as needed. Risk Management administers an Owner Controlled Insurance Program (OCIP) at the Airport. This is a program where the City as a sponsor, purchases insurance on behalf of the participating contractors.

Risk Management continually makes an effort to identify and evaluate exposure to loss, recommend changes in procedures to mitigate loss, and arrange for appropriate insurance for the transfer of risk. It also proactively pursues implementation of safety and health related measures to reduce potential liability.

Pension and Other Post-Employment Benefits. The City of Atlanta sponsors four pension plans for various employee groups. A one-agent multiple-employer Defined Benefit Plan covers general government employees and some employees of the Atlanta Board of Education. Two single-employer Defined Benefit Plans exist, one to cover fire personnel and one to cover police personnel. In 2001, a Defined Contribution Plan was established for permanent employees who are not sworn members of the police or fire services. The Defined Benefit Plans were established in 1927 by an Act of the State of Georgia Legislature and, until 1983, the Georgia Legislature established all requirements and policies of these Plans. In 1983, the control over the Plans was transferred to the City under the principle of Home Rule.

Each of the three Defined Benefit Plans is governed by its own Board of Trustees. Each year, independent actuary reports are prepared to determine if the assets and contributions are sufficient to provide the prescribed benefits of the respective plans. The City contributions to the Defined Benefit Plans are based on actuary requirements pursuant to governmental accounting standards.

The Defined Contribution Plan became effective on July 1, 2001. All non-sworn permanent employees hired since that date are required to participate in the Defined Contribution Pension Plan. Approximately 255 members of the Defined Benefit Plan elected to participate in the Defined Contribution Plan. Employee and City contributions for those employees who elected to transfer from the Defined Benefit Plan to the Defined Contribution Plan were transmitted to the Defined Contribution Plan administrators in March of 2003. The Defined Contribution Plan is administered by a third party.

Post-Retirement Benefits. For participants in the City of Atlanta's Defined Benefit Plans, the City of Atlanta also provides post-retirement health care, dental care, and life insurance benefits for retirees, beneficiaries, and their dependents. The benefits are financed on a pay-as-you-go basis. As of December 31, 2003, there were 3,900 retirees, beneficiaries, and dependents receiving these benefits. In 2003, the City contributed \$17,543,773 for retiree health and dental care premiums and \$922,983 for life insurance premiums. These contributions funded a portion of the \$27,712,227.42 total cost for retiree health and dental care and life insurance premiums. The City also contributed an additional \$2,371,848 to provide funding for stabilization reserve and insurance analysis.

Additional information on the City of Atlanta's pension arrangements and post-employment benefits can be found in Note N in the Notes to the financial statements.

City Internal Auditor and City Audit Committee. The City Charter (Article 2, Chapter 6) establishes the Office of City Internal Auditor and outlines its primary duties. The Office conducts performance and financial audits of all departments, offices, boards, activities and agencies of the City. Audits may assess compliance with laws and regulations; efficiency, effectiveness, and results of programs; accuracy of financial reporting; and adequacy of management controls. Audits are selected primarily through development of an annual audit plan and conducted under government audit standards. Audit reports are distributed to the Mayor and City Council and are available to the public.

The City Internal Auditor is appointed by and accountable to the City of Atlanta Audit Committee, a five-member group including three city residents with expertise in auditing, the Mayor, and the City Council President. This structure assures the independence of the internal audit function. The Audit Committee and City Internal Auditor also provide oversight and coordination of the independent financial audit and other external audits, and report annually on the implementation of audit recommendations.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Atlanta for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2002. This was the 18th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the City is required to publish an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its 2003 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

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 and the other operating and support departments of the City. We would like to express our appreciation to all who assisted in and contributed to the preparation of this report. Credit also must be given to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Atlanta's finances.

Respectfully submitted,



Shirley Franklin
Mayor

Respectfully submitted,



Richard J. Anderson
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Atlanta,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

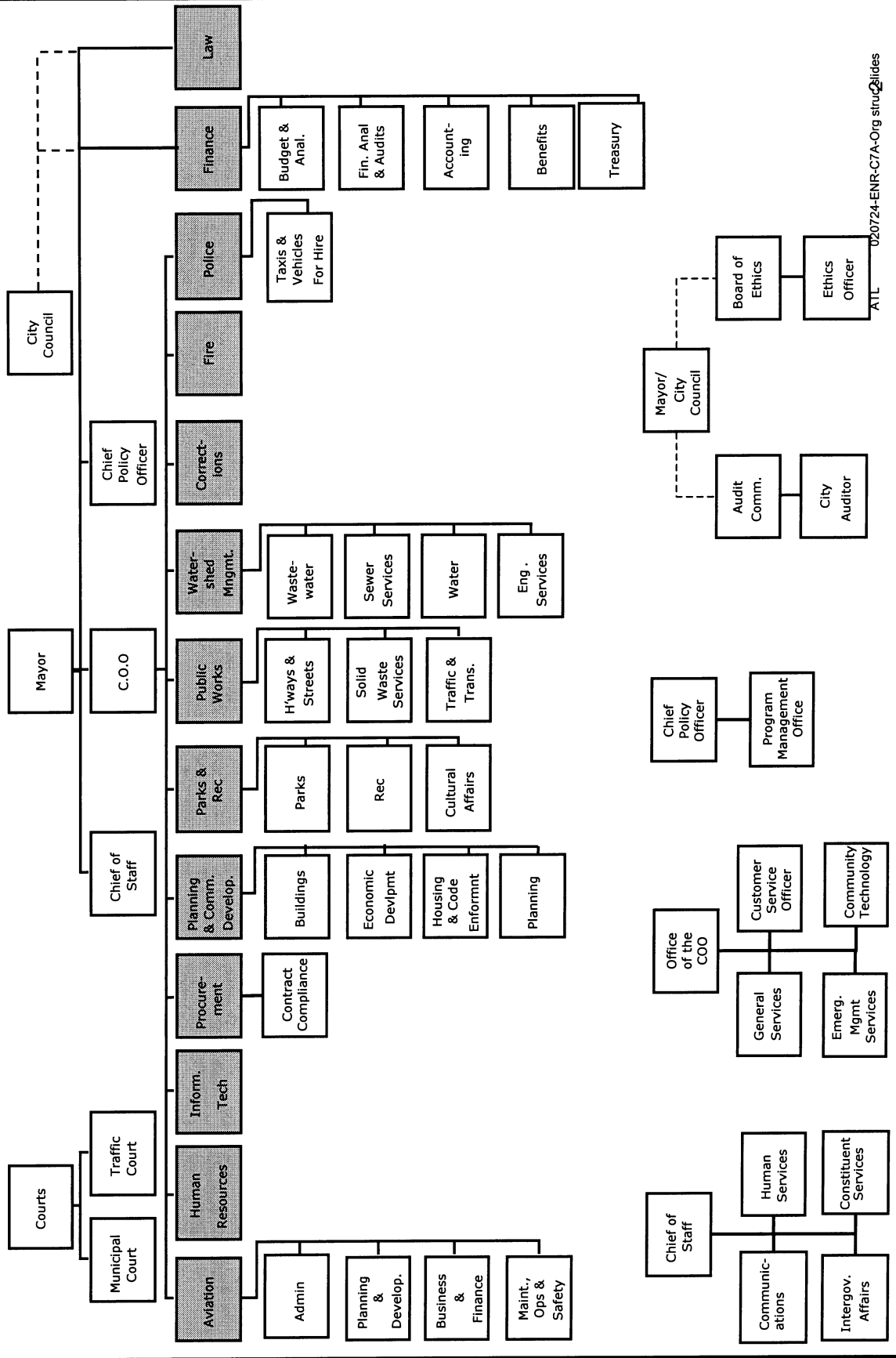
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

Organization Structure of the Government of the City of Atlanta



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EXECUTIVE

Mayor..... Shirley Franklin

LEGISLATIVE

City Council (Elected)

President of Council.....Vacant
President Pro Tempore.....Ceasar C. Mitchell

Members of Council

District 1 – Carla Smith
District 2 – Debi Starnes
District 3 – Ivory Lee Young, Jr.
District 4 – Cleta Winslow
District 5 - Natalyn Mosby-Archibong
District 6 – Anne Fauver
District 7 – Howard Shook
District 8 – Clair Muller
District 9 – Felicia A. Moore
District 10 – C.T. Martin
District 11 – Jim Maddox
District 12 – Vernell Mosley

Members of Council-At-Large

City Council-At-Large –Post 1 – Ceasar C. Mitchell
City Council-At-Large –Post 2 – Mary Norwood
City Council-At-Large –Post 3 – H. Lamar Willis

ADMINISTRATIVE

(Appointed)

Chief Operating Officer Lynnette Young
Chief of Staff Greg Pridgeon
Sr. Policy Analyst and Programs Manager Rob Rivers
Chief Financial Officer Richard J. Anderson

Director, City Council Staff.....Robert Barger
Commissioner of Parks, Recreation & Cultural Affairs.....Diane Harnell Cohen
Aviation General Manager.....Benjamin R. DeCosta
City Attorney.....Linda DiSantis
Ethics Officer.....Virginia Looney
Chief Judge, Traffic Court.....Calvin S. Graves
Commissioner of Planning & Community Development.....Charles Graves, III
Commissioner of Public Works.....David E. Scott, P.E.
Chief Judge, Municipal Court.....Deborah S. Greene
Municipal Clerk.....Rhonda D. Johnson
Chief Information Officer.....Abe Kani
Fire Chief.....Dennis L. Rubin
Police Chief.....Richard J. Pennington
Corrections Chief.....Thomas J. Pocock
Commissioner of Human Resources.....Benita C. Ransom
Acting Commissioner of Watershed Management.....Rob Hunter
Chief Procurement Officer.....Adam Smith
City Internal Auditor.....Leslie Ward

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Management's Discussion and Analysis

As management of the City of Atlanta (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Atlanta for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-xii of this report.

Financial Highlights

- The assets of the City of Atlanta exceeded its liabilities at the close of 2003 by \$4.2 billion, that amount represents the City's net assets. Of this amount, \$686.9 million in unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$398.5 million in 2003.
- At the close of 2003, the City of Atlanta's governmental funds reported combined ending net assets of \$870.6 million, an increase of \$55 million in comparison with the prior year. The unrestricted net assets of \$99.3 million reflect a 260 percent increase over the unrestricted net assets in 2002. This amount is available for spending at the City's discretion.
- At the end of 2003, the unreserved fund balance for the general fund was \$96.5 million, or 25.2 percent of total general fund expenditures.
- The City of Atlanta's total long-term liabilities increased by \$324.6 million, which is a 8.5 percent increase during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Atlanta's basic financial statements. The City of Atlanta'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 other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net assets* presents information on all of the City of Atlanta'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 of Atlanta 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 of Atlanta that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Atlanta include general government, public safety, highways and streets, economic development, and cultural and recreation. The business-type activities of the City of Atlanta include The Department of Aviation (Hartsfield-Jackson International Airport), Water and Wastewater Operations, Parks Facility Revenue Operations, Sanitary Services, and the Civic Center.

The government-wide financial statements include not only the City of Atlanta itself (known as the primary government), but also a legally separate Atlanta-Fulton County Recreation Authority, Atlanta Empowerment Zone Corporation, and Atlanta Development Authority for which the City of Atlanta is financially accountable. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself. Certain organizations are not included within the scope of this report since they are established by the Constitution of the State of Georgia or state laws and are administered by separate boards that act independently of the City of Atlanta. Included in this category are the Atlanta Board of Education and the Atlanta Housing Authority.

The government-wide financial statements can be found following this section of the 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 of Atlanta, 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 of Atlanta can be divided into three categories: governmental funds, proprietary funds, and fiduciary 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 flows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and *governmental activities*

The City of Atlanta maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund. Data from the other twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found elsewhere in this report.

Proprietary funds. The City of Atlanta maintains two different 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 of Atlanta uses enterprise funds to account for its business-type activities of the Hartsfield-Jackson International Airport, Water and Wastewater Operations, Parks Facility Revenue Operations, Solid Waste Services, and the Civic Center. An *internal service fund* is an accounting device used to accumulate and allocate costs internally among the City of Atlanta's various functions. The City of Atlanta uses an internal service fund to account for the maintenance and operation of its fleet of vehicles and for its management information systems. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements. The proprietary fund financial statements provide separate information for the Department of Aviation (Hartsfield-Jackson International Airport), and the Water and Wastewater Operations, which are considered to be major funds of the City of Atlanta. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found elsewhere in this report.

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

The basic fiduciary fund financial statements can be found elsewhere in this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found following the financial statements in 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 Atlanta's progress in funding its obligation to provide pension benefit to its employees. Required supplementary information can be found following the notes in this report.

The combining statements, referred to earlier in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found at the end 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 Atlanta, assets exceeded liabilities by \$4.2 billion at the close of the most recent fiscal year. Table 1 summarizes the major categories of assets, liabilities and net assets for governmental activities, business-type activities, and the government as a whole.

Table 1. City of Atlanta Net Assets, Fiscal Year 2003
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Current and other assets	\$ 393,531	\$ 417,563	\$ 2,537,714	\$ 2,721,767	\$ 2,931,245	\$ 3,139,331
Net capital assets	<u>1,091,859</u>	<u>936,987</u>	<u>4,585,014</u>	<u>4,035,511</u>	<u>5,676,873</u>	<u>4,972,498</u>
Total assets	<u>1,485,390</u>	<u>1,354,550</u>	<u>7,122,728</u>	<u>6,757,278</u>	<u>8,608,118</u>	<u>8,111,829</u>
Long-term debt outstanding	569,275	582,474	3,568,997	3,234,792	4,138,272	3,817,266
Other liabilities	<u>45,476</u>	<u>85,423</u>	<u>160,742</u>	<u>462,906</u>	<u>206,218</u>	<u>548,329</u>
Total liabilities	<u>614,751</u>	<u>667,897</u>	<u>3,729,739</u>	<u>3,697,698</u>	<u>4,344,490</u>	<u>4,365,595</u>
Net assets						
Invested in capital assets, net of related debt	571,512	401,074	2,383,697	1,866,320	2,955,209	2,267,394
Restricted	199,790	249,153	421,713	704,703	621,503	953,856
Unrestricted	<u>99,337</u>	<u>36,427</u>	<u>587,579</u>	<u>488,558</u>	<u>686,916</u>	<u>524,984</u>
Total net assets	<u>\$ 870,639</u>	<u>\$ 686,654</u>	<u>\$ 3,392,989</u>	<u>\$ 3,059,581</u>	<u>\$ 4,263,628</u>	<u>\$ 3,746,234</u>

At the end of the 2003 fiscal year, the City of Atlanta 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.

By far the largest portion of the City of Atlanta's net assets (69.2 %) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The City of Atlanta uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Although the City of Atlanta's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's net assets increased \$521.1 million during the current fiscal year. Table 2 shows revenues, expenses, and changes in net assets for governmental activities, business-type activities, and the government as a whole.

Table 2. City of Atlanta's Changes in Net Assets, Fiscal Year 2003
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Revenues						
Program revenues						
Charges for services	\$ 66,160	\$ 63,055	\$ 495,438	\$ 501,996	\$ 561,598	\$ 565,051
Operating grants and contributions	30,933	55,071	-	-	30,933	55,071
Capital grants and contributions	-	-	283,779	197,531	283,779	197,531
General revenues						
Property taxes	194,935	183,604	-	-	194,935	183,604
Other taxes	256,660	248,728	-	-	256,660	248,728
State formula aid	537	538	-	-	537	538
Investment Income	7,904	10,348	86,905	85,392	94,809	95,740
Other	22,330	14,106	-	-	22,330	14,106
Total revenues	579,459	575,450	866,122	784,919	1,445,581	1,360,369
Expenses:						
General government:	120,890	161,237	-	-	120,890	161,237
Police	133,349	140,204	-	-	133,349	140,204
Fire	66,354	65,275	-	-	66,354	65,275
Corrections	32,245	37,627	-	-	32,245	37,627
Public Works	63,336	65,136	-	-	63,336	65,136
Parks, Recreation and Cultural Affairs	30,062	31,527	-	-	30,062	31,527
Nondepartmental	48,394	28,149	-	-	48,394	28,149
Interest on long-term debt	22,709	25,602	-	-	22,709	25,602
Water and Wastewater System	-	-	233,542	233,704	233,542	233,704
Department of Aviation	-	-	240,687	233,459	240,687	233,459
Other	-	-	55,478	52,080	55,478	52,080
Total Expenses	517,339	554,757	529,707	519,243	1,047,046	1,074,000
Increase (decrease) in net assets before transfers	62,120	20,693	336,415	265,676	398,535	286,369
Transfers in(out)	(7,023)	(6,682)	7,023	6,682	-	-
Increases in net assets	55,097	14,011	343,438	272,358	398,535	286,369
Net Assets, Beginning of Year as previously reported	703,529	672,641	3,060,361	2,787,222	3,763,890	3,459,863
Correction of Prior Year Error	112,013	-	(10,810)	-	101,203	-
Net Assets, Beginning of Year as restated	815,542	672,641	3,049,551	2,787,222	3,865,093	3,459,863
Net Assets, End of Year	\$ 870,639	\$ 686,652	\$ 3,392,989	\$ 3,059,580	\$ 4,263,628	\$ 3,746,232

Governmental activities. Governmental activities increased the City of Atlanta’s net assets by \$180.6 million. Key elements of these changes are as follows:

- Decreases in expenditures in almost all activity areas in 2003 contributed approximately \$40 million to the increase in net assets,
- Correction of prior year net assets due to errors in capital assets and accounts receivable that were understated in 2002, and
- An increase in property tax and other tax revenue.

Revenue from property taxes (33.6%) and other taxes (44.3%) provide 77.9 % of the funding for governmental activities. Service charges and grants contribute most of the other program revenue, 16.7 %, as shown in Figure 1.

Figure 1. Program Revenues for Governmental Activities, Fiscal Year 2003

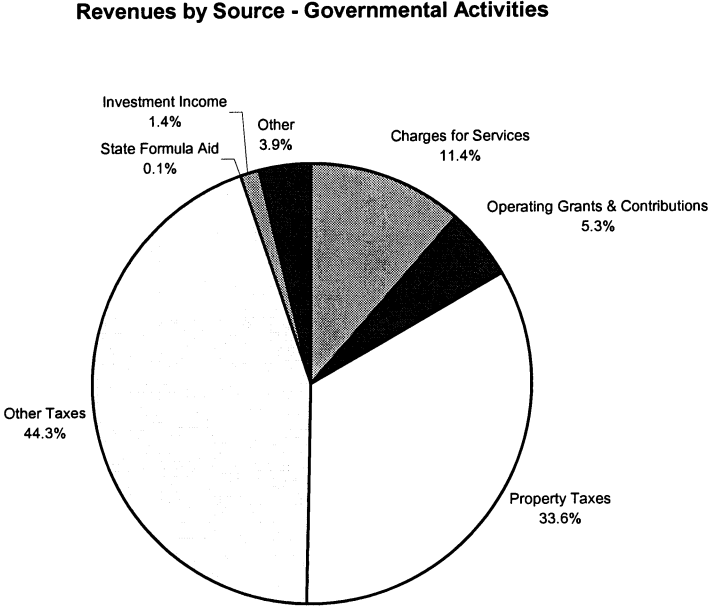
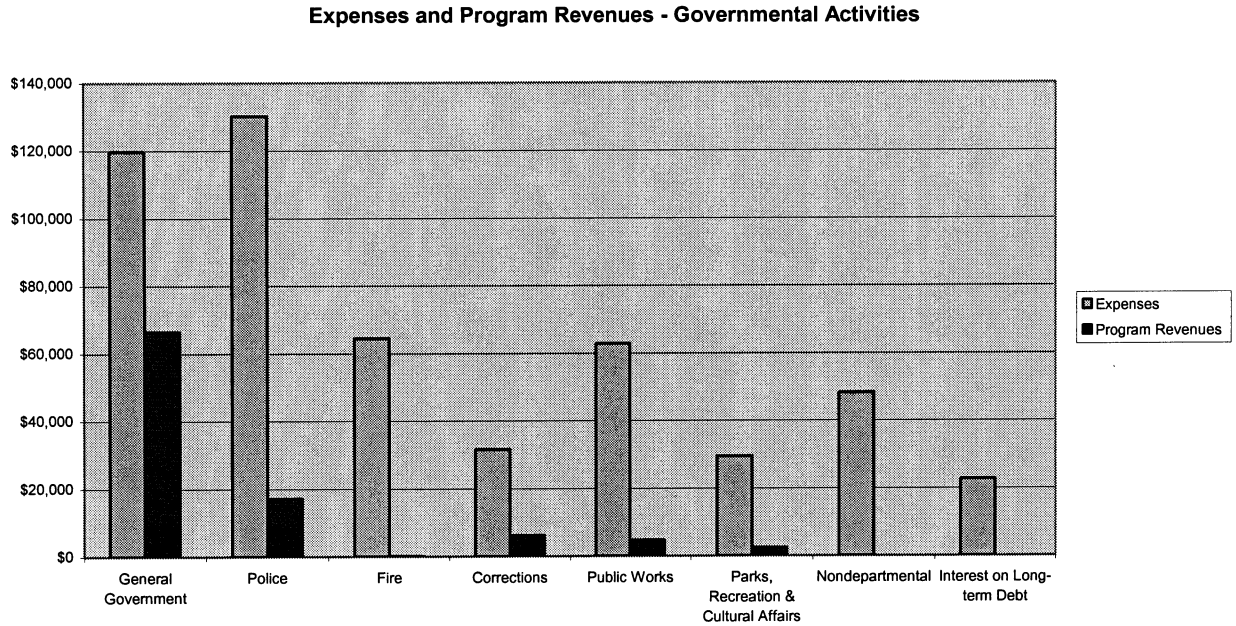


Figure 2 shows program revenues for major governmental activities compared to their expenses. Only the general government functions generate program revenue of more than one-half the amount of expenses. Tax and fee revenues that are not dedicated to a specific purpose support the other governmental activities of the City.

Figure 2. Program Revenues Compared to Expenses, Fiscal Year 2003



- Expenses in the Atlanta Police Department decreased in comparison to 2002 year despite large increases to pension contribution payments.
- The City's non-departmental expenses increased 71.6%. This rise was driven by larger pass-through amounts of tax revenue collected by the City and transferred to the Georgia World Congress Center and the Georgia Dome per a joint financing agreement between the State of Georgia and the City of Atlanta. The City also increased its contribution level to the employees' health benefit plan.
- General Government expenses decreased \$40 million during the year. A significant amount of that decrease was spread out across departments as agencies were asked to redirect existing funding levels to new priorities. A decline in the staff level at the city detention center also significantly contributed to the overall decrease.

Business-type activities. Business-type activities increased the City of Atlanta’s net assets by \$340.5 million. Net assets in the Department of Aviation increased by 12.3%, and the Department of Watershed experienced a 9.1% change in the same category.

Figure 3 shows that 59.6% of program revenue for business-type activities is derived from charges for services. The remaining program revenue comes from grants and contributions, with a small portion generated by investments. Capital grants and contributions to the Department of Watershed Management increased dramatically from \$1.6 million in 2002 to \$94.9 million in 2003.

Figure 3. Program Revenues from Business-type Activities, Fiscal Year 2003

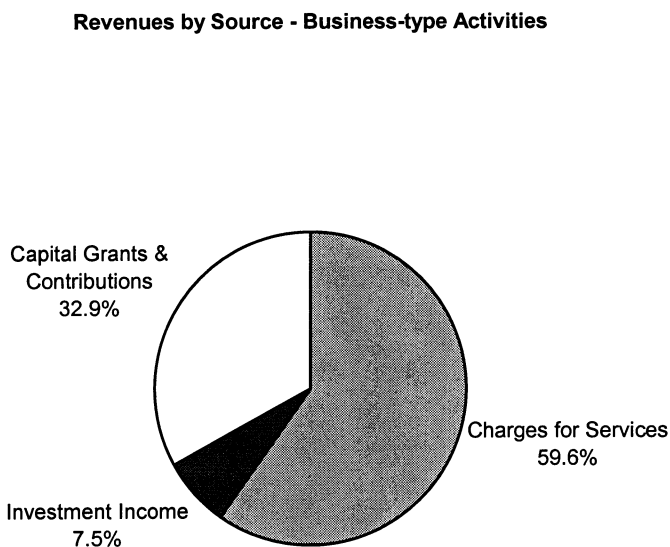
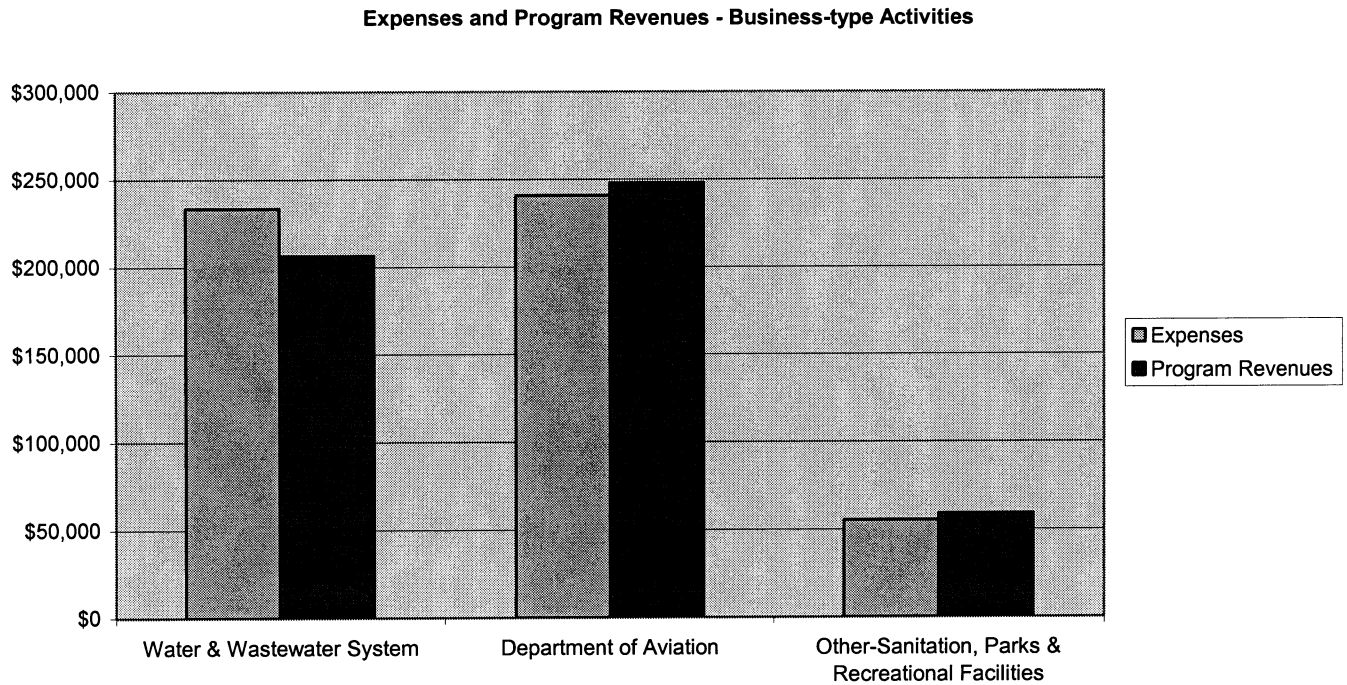


Figure 4 compares operating expenses to program revenues for business-type activities. For the Department of Aviation the program revenues are nearly equal to expenses with revenues exceeding expenses because of decreases in expenditures. For the Water and Wastewater system, the expenses are higher due to the establishment of a reserve for contingent liabilities and high interest expense on long-term debt that is not offset by charges for services in 2003.

For the remaining business-type activities, Solid Waste (Sanitation), Parks and Recreational Facilities program revenues exceed operating expenses.

Figure 4. Expenses for Business-type Activities, Fiscal Year 2003



Water & Wastewater System. For the Water & Wastewater Fund net assets increased by \$88.8 million. The primary cause for the change in net assets is capital contributions from other jurisdictions and the liquidation of restricted investments. The capital contributions will be used to fund capital improvement projects.

Table 3. Water & Wastewater Revenues and Expenses
Fiscal years 2003 and 2002 (in thousands)

<u>REVENUES</u>	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Net operating revenues	\$ 206,343	\$202,729	1.8%
Non-operating revenues	<u>21,098</u>	<u>38,225</u>	<u>(44.8%)</u>
Total Revenues	\$ 227,441	\$ 240,954	(5.6%)
 <u>EXPENSES</u>			
Operating expenses	\$ 147,085	\$131,708	11.7%
Depreciation expense	52,011	52,539	(1.0%)
Non-operating expenses	<u>34,446</u>	<u>49,241</u>	<u>(30.0%)</u>
Total Expenses	\$ 233,542	\$233,488	(0.00%)

Total revenues decreased by 5.6 percent versus 2002. This is a result of decreases in restricted investment balances, from bond proceeds, that were used to fund capital improvements.

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Department of Aviation. For the Department of Aviation, the increase over prior years' changes in net assets (12.3%) is primarily due to significant increases in investment in the Capital Improvement Program.

The Department of Aviation's restricted portion of the Airport's net assets represent bond reserve funds that are subject to external restrictions on how they can be used under bond ordinance, and Passenger Facilities Charges (PFC) that are restricted by Federal PFC regulations for the purposes authorized, together with the bond ordinance stating they will be used to pay future indebtedness. The 38.6% decrease in restricted net assets for Debt Service in 2003 over 2002 is primarily due to expenditures of \$94.6 million in proceeds obtained from the issuance of \$300 million in Bond Anticipation Notes. These notes were refinanced as long-term debt in 2004.

Unrestricted Funds totals \$429.6 million in 2003 and may be used to meet any of the Airport's ongoing capital and operating obligations. This \$8.4 million increase to unrestricted net assets may be used at the discretion of management.

Table 4. Aviation Revenues and Expenses, Fiscal Years 2003 and 2002
(in thousands)

<u>REVENUES</u>	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Operating revenues	\$247,845	\$244,997	1.2%
Interest Income	65,617	48,263	36.0%
Other Income	<u>152,373</u>	<u>150,006</u>	1.6%
Total Revenues	465,835	443,266	5.2%
<u>EXPENSES</u>			
Operating expenses	100,126	95,715	4.6%
Interest expense	78,415	77,258	1.5%
Depreciation	<u>62,146</u>	<u>60,351</u>	3.0%
Total Expenses	\$240,687	\$233,324	3.2%

Operating revenues in 2003 were \$247.8 million. This amount is 1.2% greater than the \$245.0 million generated in 2002. The increase can be attributable to Central Passenger Terminal Building Rentals, Inside Concessions and Insurance Cost Recovery revenues. These increases were offset by decreases in Other Building Rentals, Car Rental and, telephone revenues and Automated People Mover cost recovery.

Total revenues consist of operating revenue, investment income and other incomes that include Passenger Facility Charges (PFC) revenue. The total revenue in 2003 was \$465.8 million. This amount is \$22.6 million higher than the \$443.3 million generated in 2002.

Operating expenses were \$4.4 million, or 4.6% higher than the prior year. A major factor is the increased employee pension costs and increased personnel costs for police and fire personnel.

Total expenses in 2003 increased by \$7.3 million, or 3.2% over 2002 expenses. This is due in part to an increase in depreciation expense and a \$4.4 million or 4.6% increase in Operating expenses.

Financial Analysis of the Government's Funds

As noted earlier, the City of Atlanta uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City of Atlanta'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 of Atlanta's financing requirements. In particular, the *unrestricted net assets* 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 2003, the City of Atlanta's governmental funds reported combined ending fund balances of \$867.3 million, or an increase of \$180.6 million over 2002.

The general fund is the chief operating fund of the City of Atlanta. At the end of the current fiscal year, unreserved fund balance of the general fund was \$96.5 million.

The debt service fund has a total fund balance of \$27.5 million, all of which is reserved for the payment of debt service. The net increase in fund balance for the debt service fund was \$5.6 million.

General Fund Budgetary Highlights

Total 2003 general fund revenues on a non-GAAP budgetary basis were \$36 million higher than the budgetary revenue anticipations due to increases in property tax revenue and increase service charges to other governments.

Expenses for 2003 were \$384.3 million. This represented an expenditure of 88% of budgeted appropriations. Expenses were less than budget due to cost containment efforts and the implementation of the Charter reserve requirement, which for 2003 set aside 5 percent of the General Fund budget in a restricted reserve.

Much of the difference between the City's initial or tentative budget and the final budget was due to adjustments to personnel allocations, which included a \$7.5 million increase in pension contributions on behalf of City employees to meet actuarial requirements, \$2 million to fund holiday premium wages for public safety personnel, and \$2.9 million for an additional salary increment for all eligible city employees.

Proprietary funds. The statements of City of Atlanta’s proprietary funds provide the same type of information as in the government-wide financial statements, but in more detail. Unrestricted net assets of the Hartsfield-Jackson International Airport at the end of the year amounted to \$429.6 million, and those for Water and Wastewater Operations amounted to \$197.7 million.

Capital Asset and Debt Administration

Capital assets. The City of Atlanta’s investment in capital assets for its governmental and business type activities as of December 31, 2003, amounts to \$5.7 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. As shown in Table 5, buildings, improvements, and land account for the largest share of the value of these assets.

Table 5. City of Atlanta’s Capital Assets, Net of Depreciation
Fiscal year 2003 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2003	2002	2003	2002	2003	2002
Land	\$ 193,097	\$ 189,279	\$ 878,655	\$ 826,579	\$ 1,071,752	\$ 1,015,858
Construction in progress	77,918	46,929	1,000,328	463,448	1,078,246	510,377
Land improvements	10,238	11,538	420,422	413,214	430,660	424,752
Buildings and building improvements	206,889	79,535	2,217,193	2,225,372	2,424,082	2,304,907
Other property and equipment	44,189	38,575	68,416	106,898	112,605	145,473
Infrastructure	559,528	571,131	-	-	559,528	571,131
Total	\$ 1,091,859	\$ 936,987	\$ 4,585,014	\$ 4,035,511	\$ 5,676,873	\$ 4,972,498

Additional information of the City’s capital assets can be found within the Notes to the Financial Statements.

The City's total long-term debt rose 0.4 percent during 2003. The primary causes were increases in outstanding revenue bonds issued for the City of Atlanta's Water & Wastewater System and for the Department of Aviation.

Table 6. City of Atlanta's Outstanding Long-Term Debt, Fiscal Year 2003
(in thousands)

	Total Outstanding Debt		Percentage Change
	<u>2003</u>	<u>2002</u>	
General obligation and annual bonds	\$ 239,360	\$ 238,510	0.4%
SWMA revenue refunding bonds	24,855	25,710	-3.3%
Limited obligation bonds	91,500	91,500	0.0%
Section 108 loans	12,965	14,660	-11.6%
Certificates of participation	151,667	165,533	-8.4%
Water and Wastewater Revenue Bonds	1,676,566	1,673,966	0.2%
Airport Facilities Revenue Bonds	1,721,308	1,682,273	2.3%
Underground Atlanta	69,190	71,625	-3.4%
Capital Leases:			
Water and Wastewater System	23,944	25,579	-6.4%
Sanitation Fund	-	5,075	-100.0%
Total	<u>\$ 4,011,355</u>	<u>\$ 3,994,431</u>	0.4%

Additional information regarding the City's Long-term Obligations can be found in Note L in the Notes to the Financial Statements.

The most recent General Obligation Bond rating by Moody's is Aaa. Standard and Poor's have revised the rating outlook for the City's General Obligation Bonds from Negative to Stable, based on improved financial operations.

As of the date of the issuance of this report, the City's Water & Wastewater Bonds have been rated Baa1 by Moody's, A- by Standard and Poors, and BBB+ by Fitch.

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 percent of its total assessed valuation. The current debt limitation for the City of Atlanta is \$1.4 billion, which is significantly in excess of the City of Atlanta's outstanding general obligation debt of \$239 million. See the Computation of Legal Debt Margin elsewhere in this report.

Economic Factors and Next Year's Budgets and Rates

Despite the effects of a sluggish national economy, some local recessionary trends and an increase in the unemployment rate for the City of Atlanta, the City economy continues strong. Recent estimates by the Atlanta Regional Commission are that the City of Atlanta has added over 16,000 residents since the 2000 census, an increase of nearly 4% in just three years.

A record dollar volume for building permits issued was set in 2003, with several major construction projects underway. The City's own massive capital projects at Hartsfield-Jackson International Airport and associated with the Water and Wastewater Systems will also impact the local economy in terms of job creation and supply requirements.

The property tax increase that was adopted for the 2002 budget lessened the City's dependence on Sales Tax for general fund revenue support. Sales Tax revenues have been in decline for the past two years, and when combined with an adjustment in the distribution formula among cities within Fulton County, have reduced City Sales Tax revenues and the significance of the Sales Tax in the City's revenue picture. The decrease in Sales Tax revenues was factored into the City's 2003 budget and was accommodated without any additional property tax rate increases being required. In fact, the millage levy for general government purposes was "rolled back" (reduced) for the value of property value reassessments. This resulted in a 2003 levy of 8.71 mills, down from 9.02 in 2002.

Requests for Information

This financial report is designed to provide a general overview of the City of Atlanta's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Atlanta's Chief Financial Officer, 1100 City Hall Tower, 68 Mitchell St., SW., Atlanta, Georgia 30303.

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Independent Auditors' Report

Honorable Mayor and Members of the City Council
City of Atlanta, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Atlanta, Georgia (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Atlanta and Fulton County Recreation Authority (the Recreation Authority), The Atlanta Empowerment Zone and The Atlanta Development Authority, discretely presented component units, which collectively represent total assets of approximately \$381,655,000 as of December 31, 2003 and total revenues and additions of approximately \$36,893,000 for the year then ended.

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

The financial statements of the Recreation Authority have not been audited, and we were not engaged to audit the Recreation Authority's financial statements as part of our audit of the City's basic financial statements. The Recreation Authority's financial activities are included in the City's basic financial statements as a discretely presented component unit and represent 66 percent, 48 percent, and 28 percent of the assets, net assets, and revenues, respectively, of the City's aggregate discretely presented component units. Because the Recreation Authority's financial statements have not been audited, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements of the aggregate discretely presented component units of the City of Atlanta, as of and for the year ended December 31, 2003.

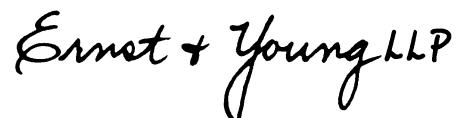
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of

Atlanta, Georgia, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2004 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and schedule of funding progress on pages 1 through 15 and 89 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 to this supplementary information, 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 supplementary information and we express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements listed in the accompanying 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 listed in the accompanying table of contents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections of the City's comprehensive annual financial report 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.

The signature of Ernst & Young LLP is written in a cursive, handwritten style. The letters are dark and fluid, with the 'E' and 'Y' being particularly prominent.

June 16, 2004

BASIC FINANCIAL STATEMENTS

CITY OF ATLANTA, GEORGIA
Statement of Net Assets
December 31, 2003
(In Thousands)

	Governmental Activities	Business-type Activities	Total	(Unaudited) Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 24,967	\$ 4,182	\$ 29,149	\$ 5,072
Investments in pooled investment fund	86,609	605,599	692,208	
Investments	191,944	-	191,944	864
Receivables (net of allowances for uncollectibles)	74,886	49,246	124,132	11,015
Due from other governments	1,180	15,527	16,707	22,208
Due from primary government	-	-	-	1,385
Internal balances	13,945	(13,945)	-	-
Inventories	-	13,275	13,275	-
Prepaid expenses and other assets	-	4,141	4,141	371
Total current assets	393,531	678,025	1,071,556	40,915
Noncurrent assets:				
Restricted cash and cash equivalents	-	219,978	219,978	10,420
Restricted investments	-	1,544,241	1,544,241	18,038
Capital assets:				
Land and construction in progress	271,015	1,878,983	2,149,998	3,047
Other capital assets, net of depreciation	261,316	2,706,031	2,967,347	250,878
Infrastructure, net of depreciation	559,528	-	559,528	-
Investments in joint venture	-	61,143	61,143	-
Other assets	-	34,327	34,327	46,729
Long-term receivable	-	-	-	11,628
Total noncurrent assets	1,091,859	6,444,703	7,536,562	340,740
Total Assets	1,485,390	7,122,728	8,608,118	381,655
LIABILITIES				
Current liabilities				
Accounts payable	15,971	43,945	59,916	3,573
Accrued expenses, vacations, and compensatory pay	19,799	8,985	28,784	-
Claims payable	-	10,608	10,608	-
Contract retentions	536	7,106	7,642	-
Due to other governments	1,295	450	1,745	-
Due to fiduciary funds	219	1,779	1,998	-
Due to component unit	1,385	-	1,385	-
Other liabilities	-	2,750	2,750	7,556
Deferred revenues	71	6,970	7,041	807
Liabilities payable from restricted assets	-	76,503	76,503	23,192
Current portion of long-term debt	20,483	453,357	473,840	15,344
Current portion of workers compensation	6,200	-	-	-
Current portion of capital leases	-	1,647	1,647	-
Total current liabilities	65,959	614,099	673,858	50,472
Noncurrent liabilities				
Noncurrent portion of long-term debt	499,864	3,013,707	3,513,571	275,846
Noncurrent portion of capital leases	-	22,297	22,297	-
Other long-term liabilities	48,928	79,636	128,564	-
Total Liabilities	614,751	3,729,739	4,338,290	326,318
NET ASSETS				
Invested in capital assets, net of related debt	571,512	2,383,697	2,955,209	80
Restricted for:				
Debt service	27,470	(8,041)	19,429	-
Programs	74,521	-	74,521	21,197
Capital projects	97,799	429,754	527,553	-
Unrestricted	99,337	587,579	686,916	34,060
Total Net Assets	\$ 870,639	\$ 3,392,989	\$ 4,263,628	\$ 55,337

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Activities
For the Year Ended December 31, 2003
(In Thousands)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental activities:				
General government	\$ 120,890	\$ 38,326	\$ 28,094	\$ -
Police	133,349	15,655	1,491	-
Fire	66,354	46	58	-
Corrections	32,245	6,149	23	-
Public Works	63,336	4,410	330	-
Parks, Recreation and Cultural Affairs	30,062	1,574	911	-
Nondepartmental	48,394	-	26	-
Interest on long-term debt	22,709	-	-	-
Total Governmental activities	<u>517,339</u>	<u>66,160</u>	<u>30,933</u>	<u>-</u>
Business-type activities				
Water and Wastewater System	233,542	206,343	-	94,871
Department of Aviation	240,687	247,845	-	188,908
Other	55,478	41,250	-	-
Total Business-type activities	<u>529,707</u>	<u>495,438</u>	<u>-</u>	<u>283,779</u>
Total Primary Government	<u>\$ 1,047,046</u>	<u>\$ 561,598</u>	<u>\$ 30,933</u>	<u>\$ 283,779</u>
Component Units - (Unaudited)	<u>\$ 45,834</u>	<u>\$ 26,983</u>	<u>\$ 3,370</u>	<u>\$ 322</u>

General revenues:

Taxes:

- Property Taxes Levied for general purposes
- Local Option Sales Tax
- Public Utility Franchise Taxes
- Business Taxes
- Federal and State aid not restricted for specific purposes
- Investment income
- Other
- Total General revenues
- Transfers
- Total general revenues and transfers
- Change in net assets
- Net assets - beginning of year, as previously stated
- Correction of prior year error
- Net assets - beginning of year, as restated
- NET ASSETS - END OF YEAR**

The accompanying notes are an integral part of the statements.

Net (Expenses) Revenues and Changes in Net Assets			
Governmental Activities	Business-type Activities	TOTALS	(Unaudited) Component Units
\$ (54,470)		\$ (54,470)	
(116,203)		(116,203)	
(66,250)		(66,250)	
(26,073)		(26,073)	
(58,596)		(58,596)	
(27,577)		(27,577)	
(48,368)		(48,368)	
(22,709)		(22,709)	
<u>(420,246)</u>		<u>(420,246)</u>	
	\$ 67,672	67,672	
	196,066	196,066	
	<u>(14,228)</u>	<u>(14,228)</u>	
	249,510	249,510	
<u>(420,246)</u>	<u>249,510</u>	<u>(170,736)</u>	
			\$ <u>(15,159)</u>
194,935	-	194,935	-
101,218	-	101,218	-
42,350	-	42,350	-
113,092	-	113,092	-
537	-	537	-
7,904	86,905	94,809	-
22,330	-	22,330	3,315
<u>482,366</u>	<u>86,905</u>	<u>569,271</u>	<u>3,315</u>
<u>(7,023)</u>	<u>7,023</u>	<u>-</u>	<u>-</u>
<u>475,343</u>	<u>93,928</u>	<u>569,271</u>	<u>3,315</u>
55,097	343,438	398,535	(11,844)
703,529	3,060,361	3,763,890	67,181
<u>112,013</u>	<u>(10,810)</u>	<u>101,203</u>	<u>-</u>
<u>815,542</u>	<u>3,049,551</u>	<u>3,865,093</u>	<u>67,181</u>
\$ 870,639	\$ 3,392,989	\$ 4,263,628	\$ 55,337

CITY OF ATLANTA, GEORGIA

Balance Sheet
 Governmental Funds
 December 31, 2003
 (In Thousands)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 659	\$ 24,308	\$ 24,967
Investments in pooled investment fund	44,406	35,293	79,699
Investments	-	191,944	191,944
Receivables:			
Taxes	12,042	2,027	14,069
Accounts	25,596	1,441	27,037
Due from other governments	403	321	724
Due from other funds	44,034	8,367	52,401
Other assets	-	-	-
Investments in escrow	-	-	-
Restricted assets	-	-	-
TOTAL ASSETS	<u>\$ 127,140</u>	<u>\$ 263,701</u>	<u>\$ 390,841</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 4,278	\$ 6,408	\$ 10,686
Accrued liabilities, vacations, and compensatory pay	15,517	1,175	16,692
Contract retentions	-	536	536
Due to other governments	1,215	80	1,295
Due to component units	1,385	-	1,385
Due to other funds	1,808	37,146	38,954
Deferred revenue	-	71	71
Total Liabilities	<u>24,203</u>	<u>45,416</u>	<u>69,619</u>
Fund Balances:			
Reserved for:			
Encumbrances	6,433	18,495	24,928
Special programs	-	74,521	74,521
Capital improvements	-	97,799	97,799
Debt service	-	27,470	27,470
Unreserved:			
Undesignated, reported in:			
General fund	96,504	-	96,504
Total fund balances	<u>102,937</u>	<u>218,285</u>	<u>321,222</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 127,140</u>	<u>\$ 263,701</u>	<u>\$ 390,841</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
 Reconciliation of Governmental Fund Balance Sheet
 To the Government-wide Statement of Net Assets
 December 31, 2003

Total fund balances	\$	321,222
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Accounts receivable used in governmental activities represents amounts that are not financial resources and, therefore are not reported in the above funds:

	43,476	
Taxes receivable	30,863	
Accounts receivable	456	
Due from other governments	(40,559)	
Allowance for uncollectible receivables	34,236	34,236

Capital assets used in governmental activities are not financial resources and, therefore are not reported in the above funds:

	270,879	
Land and construction in progress	2,187,418	
Cost of Capital Assets	(1,366,574)	
Less: Accumulated Depreciation	1,091,723	1,091,723

Internal service funds are used by management to charge the costs of automotive services and management information systems activities as well as transactions related to the provision of life, accident and medical insurance benefits through outside insurance companies for permanent employees and retirees. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

	(2,041)	
Capital assets included above related to the internal service fund	278	
Net assets for internal service fund	(1,763)	(1,763)

Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the above funds.

	\$ (239,360)	
General obligation and annual bonds	(24,855)	
SWMA revenue refunding bonds	(91,500)	
Limited obligation bonds	(12,965)	
Section 108 loans	(151,667)	
Certificates of participation	(17,591)	
Vacation pay	(1,719)	
Compensatory pay	(15,855)	
General claims payable	(75)	
Arbitrage rebate	(19,192)	
Workers' compensation	(574,779)	(574,779)

NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	870,639
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CITY OF ATLANTA, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003
(In Thousands)

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Property taxes	\$ 153,710	\$ 39,534	\$ 193,244
Local option sales taxes	94,374	-	94,374
Public utility, alcoholic beverage and other taxes	100,347	-	100,347
Licenses and permits	50,516	-	50,516
Charges for current services	11,682	12,269	23,951
Fines, forfeitures and penalties	1,155	18,753	19,908
Investment income	2,144	5,773	7,917
Intergovernmental revenues and contributions:			
Federal revenues	-	23,067	23,067
State revenues	537	3,644	4,181
Building rentals and concessions	6,981	-	6,981
Other	6,843	15,487	22,330
Total revenues	<u>428,289</u>	<u>118,527</u>	<u>546,816</u>
EXPENDITURES			
Current:			
General government:	58,281	56,702	114,983
Police	120,496	4,315	124,811
Fire	61,287	186	61,473
Corrections	29,789	1,322	31,111
Public Works	23,617	2,372	25,989
Parks, Recreation and Cultural Affairs	23,062	3,704	26,766
Nondepartmentals	43,753	4,305	48,058
Capital Outlays	-	68,164	68,164
Debt Service:			
Principal payments	17,867	9,700	27,567
Interest payments	4,617	18,092	22,709
Bond issuance costs	-	137	137
Total Expenditures	<u>382,769</u>	<u>168,999</u>	<u>551,768</u>
Excess (deficiency) of revenues over expenditures	<u>45,520</u>	<u>(50,472)</u>	<u>(4,952)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from general long-term debt	4,001	8,000	12,001
Transfers in (out)	(3,897)	(3,116)	(7,013)
Net change in fund balances	45,624	(45,588)	36
Fund Balance:			
Beginning of the year, as previously reported	74,382	263,873	338,255
Correction of PY error	(17,069)	-	(17,069)
Beginning of the year, as restated	57,313	263,873	321,186
FUND BALANCE, END OF YEAR	<u>\$ 102,937</u>	<u>\$ 218,285</u>	<u>\$ 321,222</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances
 To the Statement of Activities
 For the Year Ended December 31, 2003

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

Net change in fund balance - total governmental funds \$ 36

Some revenue reported in the statement of activities are not available as current financial resources and , therefore, are not reported as revenue in governmental funds.

	Taxes revenue	6,819	
	Sales Tax	6,844	
	Insurance Premium Tax	17,881	
	Business Liscence Tax	3,244	
	Excise Tax	8,492	
	Charges for Services	31,515	
	Allowance for Doubtful Accounts	<u>(40,559)</u>	34,236

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.

	Capital Outlays	69,135	
	Loss on sale of Disposals	(3,592)	
	Depreciation Expense	<u>(46,391)</u>	19,152

The issuance of long-term debt (capitalized leases) provides current financial resources to government funds. Repayment of debt (bonds, certificates of participation and capitalized leases) is an expenditure in the governmental funds but the repayments reduce long-term liabilities in the statement of net assets. This amount is the net effect of these differences in treatment of long-term debt.

	Proceeds from long-term debt	(12,001)	
	Repayment of long-term debt	<u>27,567</u>	<u>15,566</u>

Internal service funds are used by management to charge the costs of automotive services and management information systems activities as well as transactions related to the provision of life, accident and medical insurance benefits through outside insurance companies for permanent employees and retirees. The net revenue of these activities are reported as government funds for affected departments. (1,030)

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.

	General claims payable	1,398	
	Compensated absenses	(2,636)	
	Long-term worker's compensation	<u>(11,625)</u>	<u>(12,863)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 55,097

CITY OF ATLANTA, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2003
(In Thousands)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 131,259	\$ 131,259	\$ 151,574	\$ 20,315
Sales, public utility, alcoholic beverage, and other taxes	179,442	179,442	182,741	3,299
Licenses and permits	48,298	48,298	49,932	1,634
Charges for current services:				
Services to other governmental agencies	4,192	4,192	11,496	7,304
Recreation fees and other	100	100	112	12
Total charges for current services	<u>4,292</u>	<u>4,292</u>	<u>11,608</u>	<u>7,316</u>
Fines, forfeitures, and penalties	1,014	1,014	1,167	153
Revenues from use of money and property:				
Investment income	547	547	1,541	994
Building rentals and concessions	7,492	7,492	8,038	546
Total revenues from use of money and property	<u>8,039</u>	<u>8,039</u>	<u>9,579</u>	<u>1,540</u>
Intergovernmental revenues:				
State and local grants and contributions	516	516	537	-
Other	428	428	1,814	1,386
Total intergovernmental revenues	<u>944</u>	<u>944</u>	<u>2,351</u>	<u>1,386</u>
Total revenues	<u>373,288</u>	<u>373,288</u>	<u>408,952</u>	<u>35,643</u>

CITY OF ATLANTA, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual (Non-GAAP - Budgetary Basis)
For the Year Ended December 31, 2003
(In Thousands)

	<u>Budget Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures:				
General government:				
Executive offices	\$ 11,050	\$ 11,881	\$ 10,909	\$ 972
Personnel and human resources	3,663	3,436	3,237	199
City Council	5,186	5,801	4,607	1,194
Courts and judicial agencies	12,978	12,250	12,060	190
Finance	12,886	12,799	12,708	91
Housing, planning and development	11,336	11,021	10,941	80
Law	4,116	3,871	3,714	157
Police	128,085	130,767	129,676	1,091
Fire	58,224	61,138	60,327	811
Corrections	29,901	30,616	29,543	1,073
Public Works	24,852	25,437	24,119	1,318
Parks, Recreation, and Cultural Affairs	21,128	23,759	22,572	1,187
Nondepartmental expenditures	75,984	82,953	39,156	43,797
Debt service fund:				
Bond principal payments	17,903	16,128	16,128	-
Interest on bonds	5,347	4,617	4,617	-
Total expenditures	<u>422,639</u>	<u>436,474</u>	<u>384,314</u>	<u>52,160</u>
Excess (deficiency) of revenues over (under) expenditures	(49,351)	(63,186)	24,638	87,803
Other financing sources (uses):				
Transfers in	10,276	9,344	9,344	-
Transfers out	-	(11,508)	(11,731)	223
Excess (deficiency) of revenue and other sources over (under) expenditures and other uses	(39,075)	(65,350)	22,251	\$ 87,580
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	23,340	
To record effect of net change in unrecorded liabilities	-	-	(1,122)	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(39,075)	(65,350)	44,469	
Fund balance, beginning of year				
Beginning of the year, as previously reported	-	-	74,382	
Correction of prior year error	-	-	(17,069)	
Beginning of year, as restated	-	-	57,313	
FUND BALANCE, END OF YEAR	<u>\$ (39,075)</u>	<u>\$ (65,350)</u>	<u>\$ 101,782</u>	

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Net Assets
Proprietary Funds
December 31, 2003
(In Thousands)

	Business Activities - Enterprise Funds				Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 184	\$ 3,929	\$ 69	\$ 4,182	\$ -
Investments in pooled investment fund	164,295	439,912	1,392	605,599	6,910
Receivables:					
Accounts	61,603	18,624	37,693	117,920	-
Less allowance for doubtful accounts	(36,300)	(8,682)	(27,055)	(72,037)	-
Interest	1,378	1,985	-	3,363	-
Total receivables	<u>26,681</u>	<u>11,927</u>	<u>10,638</u>	<u>49,246</u>	<u>-</u>
Due from other governments	15,527	-	-	15,527	-
Due from other funds	7,376	18,817	60	26,253	381
Inventories	12,215	1,060	-	13,275	-
Prepaid expenses	-	4,141	-	4,141	-
Total current assets	<u>226,278</u>	<u>479,786</u>	<u>12,159</u>	<u>718,223</u>	<u>7,291</u>
Noncurrent assets:					
Cash and cash equivalents	78,779	141,199	-	219,978	-
Investments	578,034	966,207	-	1,544,241	-
Capital assets:					
Land	46,531	472,404	23,023	541,958	136
Land purchased for noise abatement	-	336,696	-	336,696	-
Construction in progress	282,689	717,639	-	1,000,328	-
Land improvements	-	812,575	-	812,575	-
Buildings and other structures	2,464,800	1,218,256	75,429	3,758,485	5,352
Other property and equipment	73,962	71,504	30,989	176,455	19,997
Less accumulated depreciation	(976,860)	(1,000,270)	(64,355)	(2,041,485)	(23,444)
Capital assets, net	<u>1,891,122</u>	<u>2,628,804</u>	<u>65,086</u>	<u>4,585,012</u>	<u>2,041</u>
Investment in joint venture	61,143	-	-	61,143	-
Other assets	<u>12,518</u>	<u>13,533</u>	<u>8,276</u>	<u>34,327</u>	<u>-</u>
Total noncurrent assets	<u>2,621,596</u>	<u>3,749,743</u>	<u>73,362</u>	<u>6,444,701</u>	<u>2,041</u>
Total Assets	\$ 2,847,874	\$ 4,229,529	\$ 85,521	\$ 7,162,924	\$ 9,332

	Business Activities - Enterprise Funds				
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds	Total	Internal Service Fund
LIABILITIES					
Liabilities:					
Current liabilities					
Accounts payable	\$ 26,365	\$ 16,566	\$ 1,014	\$ 43,945	\$ 5,251
Accrued expenses, vacations, and compensatory pay	7,035	-	1,950	8,985	3,107
Claims payable	10,407	201	-	10,608	-
Current maturities of long-term debt	-	-	3,860	3,860	-
Contract retention	7,106	-	-	7,106	-
Due to other governments	450	-	-	450	-
Deposits and advance	2,750	-	-	2,750	-
Due to other funds	6,193	16,691	19,229	42,113	-
Current maturities of capital leases	1,647	-	-	1,647	-
Total current liabilities	61,953	33,458	26,053	121,464	8,358
Current liabilities payable from restricted assets:					
Accounts payable	-	11,619	-	11,619	-
Accrued interest payable	11,763	38,141	-	49,904	-
Contract retention	-	13,196	-	13,196	-
Current maturities of long-term debt	9,440	45,057	-	54,497	-
Deposits and advance	-	1,784	-	1,784	-
Total current liabilities payable from restricted assets	21,203	109,797	-	131,000	-
Noncurrent liabilities					
Long-term debt, excluding current maturities	1,667,126	1,676,249	65,330	3,408,705	-
Capital lease obligations, excluding current maturities	22,297	-	-	22,297	-
Deferred revenue	6,833	-	-	6,833	-
Arbitrage rebate liability	3,059	12,472	-	15,531	-
Accrued workers' compensation	5,045	2,249	4,593	11,887	696
Landfill postclosure costs	-	-	52,218	52,218	-
Total noncurrent liabilities	1,704,360	1,690,970	122,141	3,517,471	696
Total Liabilities	1,787,516	1,834,225	148,194	3,769,935	9,054
NET ASSETS					
Invested in capital assets, net of related debt	870,726	1,513,216	(245)	2,383,697	2,041
Restricted for:					
Debt service	(8,041)	-	-	(8,041)	-
Capital projects	-	429,754	-	429,754	-
Unrestricted	197,673	452,334	(62,428)	587,579	(1,763)
Total net assets	\$ 1,060,358	\$ 2,395,304	\$ (62,673)	\$ 3,392,989	\$ 278

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended December 31, 2003
(In Thousands)

	Business Activities - Enterprise Funds				Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds	Total	
Operating revenues:					
Charges for services	\$ 199,680	\$ 122,078	\$ 36,969	\$ 358,727	\$ 106,608
Rentals, admissions and concessions	-	103,892	3,733	107,625	-
Other	6,663	21,875	548	29,086	874
Total operating revenues	<u>206,343</u>	<u>247,845</u>	<u>41,250</u>	<u>495,438</u>	<u>107,482</u>
Operating expenses:					
Salaries	53,296	46,980	20,638	120,914	89,376
Utilities	18,934	3,873	586	23,393	550
Supplies and materials	8,034	1,947	470	10,451	7,461
Repairs, maintenance and other contractual services	9,122	24,325	3,041	36,488	2,903
Motor equipment services	4,428	-	7,764	12,192	20
Engineering and consultant fees	23,210	-	8,189	31,399	1,950
General services	16,539	13,793	8,306	38,638	5,041
Payment in lieu of taxes and franchise fees	9,801	-	-	9,801	-
Programs services and other costs	3,721	9,208	-	12,929	465
Total operating expenses	<u>147,085</u>	<u>100,126</u>	<u>48,994</u>	<u>296,205</u>	<u>107,766</u>
Operating income (loss) before depreciation and amortization	59,258	147,719	(7,744)	199,233	(284)
Depreciation and amortization	52,011	62,146	4,443	118,600	723
Operating income (loss)	<u>7,247</u>	<u>85,573</u>	<u>(12,187)</u>	<u>80,633</u>	<u>(1,007)</u>
Nonoperating revenues (expenses):					
Investment income	21,098	65,617	190	86,905	13
Interest expense	(34,446)	(78,415)	(2,041)	(114,902)	(26)
Passenger facility charges	-	152,373	-	152,373	-
Total nonoperating revenues (expenses)	<u>(13,348)</u>	<u>139,575</u>	<u>(1,851)</u>	<u>124,376</u>	<u>(13)</u>
Income (loss) before capital contributions	(6,101)	225,148	(14,038)	205,009	(1,020)
Capital contributions	94,871	36,535	-	131,406	-
Transfers in	-	-	7,730	7,730	-
Transfers out	-	-	(707)	(707)	(10)
Changes in net assets	88,770	261,683	(7,015)	343,438	(1,030)
Net Assets					
Beginning of the year, as previously reported	971,588	2,133,621	(44,848)	3,060,361	1,308
Correction of prior year error	-	-	(10,810)	(10,810)	-
Beginning of year, as restated	<u>971,588</u>	<u>2,133,621</u>	<u>(55,658)</u>	<u>3,049,551</u>	<u>1,308</u>
NET ASSETS, END OF YEAR	<u>\$ 1,060,358</u>	<u>\$ 2,395,304</u>	<u>\$ (62,673)</u>	<u>\$ 3,392,989</u>	<u>\$ 278</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003
(In Thousands)

	Business Activities - Enterprise Funds				Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds	Total	
Cash flow from operating activities					
Cash received from user charges	\$ 200,042	\$ 239,212	\$ 43,117	\$ 482,371	\$ 33,749
Cash payments to employees for services	(88,578)	(64,156)	(25,101)	(177,835)	(14,909)
Cash payments to suppliers for goods and services	(50,050)	(47,461)	(18,996)	(116,507)	(16,456)
Net cash provided by operating activities	<u>61,414</u>	<u>127,595</u>	<u>(980)</u>	<u>188,029</u>	<u>2,384</u>
Cash flows from noncapital financing activities					
Transfers in	-	-	7,023	7,023	(10)
	<u>-</u>	<u>-</u>	<u>7,023</u>	<u>7,023</u>	<u>(10)</u>
Cash flows from capital and related financing activities					
Capital contributions	94,871	37,685	-	132,556	-
Principal repayments of long-term debts	(4,895)	(973,685)	(3,745)	(982,325)	-
Acquisition, construction and improvements of capital assets	(196,849)	(405,670)	-	(602,519)	-
Passenger facility charges	-	152,373	-	152,373	-
Contract retainage withheld, net	1,503	908	-	2,411	-
Proceeds from bond issuance	4,645	1,012,718	-	1,017,363	-
Interest paid on revenue bonds	(79,236)	(77,807)	(2,041)	(159,084)	(26)
Net cash (used in) capital and related financing activities	<u>(179,961)</u>	<u>(253,478)</u>	<u>(5,786)</u>	<u>(439,225)</u>	<u>(26)</u>
Cash flows from investing activities					
Interest on investments	19,895	40,920	190	61,005	10
Purchases and sales of nonpooled investments, net	278,542	78,199	-	356,741	-
Net change in investment in pooled funds	(132,479)	14,173	(381)	(118,687)	(2,358)
Net change in arbitrage rebate liability	(214)	-	-	(214)	-
Net change in investment in joint venture	(12,498)	-	-	(12,498)	-
Net cash provided by (used in) investing activities	<u>153,246</u>	<u>133,292</u>	<u>(191)</u>	<u>286,347</u>	<u>(2,348)</u>
Net change in cash and cash equivalents	<u>34,699</u>	<u>7,409</u>	<u>66</u>	<u>42,174</u>	<u>-</u>
Cash and cash equivalents, beginning of year	<u>44,264</u>	<u>137,719</u>	<u>3</u>	<u>181,986</u>	<u>-</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 78,963</u>	<u>\$ 145,128</u>	<u>\$ 69</u>	<u>\$ 224,160</u>	<u>\$ -</u>
Supplemental schedule of noncash financing activities					
Appreciation of capital appreciation bonds	<u>\$ -</u>	<u>\$ 5,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF ATLANTA, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003
(In Thousands)

	Business Activities - Enterprise Funds			Total	Internal Service Fund
	Water and Wastewater System	Department of Aviation	Other Nonmajor Funds		
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	7,247	85,573	(12,187)	80,633	(1,007)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	52,011	62,146	4,443	118,600	723
Changes in assets and liabilities					
Receivables - net of allowance	4,765	(8,633)	2,361	(1,507)	-
Inventories	(1,923)	-	-	(1,923)	-
Due from other funds	39,254	(13,636)	153	25,771	20
Prepaid expenses and other assets	-	(2,219)	-	(2,220)	-
Due from other governmental units	(1,214)	-	-	(1,214)	-
Accounts payable and accrued expenses	(5,497)	(7,228)	597	(12,128)	2,449
Accrued interest payable	-	376	-	376	-
Claims payable	-	-	-	-	-
Deposits and advances	-	-	-	-	-
Due to other funds	(33,229)	11,216	3,653	(18,360)	-
Net cash provided by (used in) operating activities	<u>\$ 61,414</u>	<u>\$ 127,595</u>	<u>\$ (979)</u>	<u>\$ 188,029</u>	<u>\$ 2,185</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2003

(In Thousands)

ASSETS

	<u>Pension Trust Funds</u>	<u>Agency Fund</u>
Assets:		
Cash and cash equivalents	\$ 82,318	\$ 203
Investments in pooled investment fund	301,478	11,116
Investments	1,378,510	25
Other receivables	2,642	280
Due from other funds	<u>15,919</u>	<u>474</u>
Total Assets	<u>\$ 1,780,867</u>	<u>\$ 12,098</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 670	\$ 12,098
Accrued salaries, vacation, and compensatory pay	-	-
Other liabilities	-	-
Due to other funds	17,574	-
Liability for securities lending agreement	<u>301,476</u>	<u>-</u>
Total Liabilities	319,720	12,098
Net Assets		
Restricted for employee benefits	<u>1,461,147</u>	<u>-</u>
Total Net Assets	<u>\$ 1,461,147</u>	<u>\$ -</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Year Ended December 31, 2003
(In Thousands)

	Pension Trust Funds
Additions	
Employer contributions	\$ 78,111
Employee contributions	23,881
Refunds and other	370
Investment income:	
Net change in	
fair value of investments	164,166
Investment income	44,583
Securities lending income	515
Less: Investment expenses	-
Securities lending expenses	(118)
Net investment loss	209,146
 Total Additions	 311,508
Deductions	
Benefit payments	100,199
Refunds	13,512
Other expenses	3,500
 Total Deductions	 117,211
 Change in Net Assets	 194,297
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	1,266,850
 End of Year	 \$ 1,461,147

The accompanying notes are an integral part of the statements.

Component Units

City of Atlanta and Fulton County Recreation Authority - Established to account for the acquisition, construction, maintenance, and operation of an athletic stadium, an athletic coliseum, and the Atlanta Zoo.

Atlanta Empowerment Zone Corporation - Established to account for the revenue and expenditures attendant to funding provided under Title XX Empowerment Zone of the Empowerment Zone Social Security Act as amended by part VI of the Omnibus Budget Reconciliation Act of 1993. Title XX Empowerment Zone provides for the fulfillment of a strategic plan to create economic opportunities, create sustainable community development, build broad participation among community-based partners, develop a strategic vision for change in the community and improve the quality of life for residents of the designated area.

Atlanta Development Authority - Established to promote the revitalization and growth of the City of Atlanta through a comprehensive and centralized program focusing on community development and redevelopment.

Atlanta Clean City Commission Fund - Established to account for the revenues and expenditures associated with the operation and management of the Atlanta Clean City Commission (“ACC”) which promotes and organizes efforts to keep the City of Atlanta clean.

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CITY OF ATLANTA, GEORGIA

Component Units

Statement of Net Assets

December 31, 2003

(Unaudited)

(In Thousands)

	City of Atlanta and Fulton County Recreation Authority	Atlanta Empowerment Zone Corporation	Atlanta Development Authority	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 675	\$ -	\$ 4,397	\$ 5,072
Short-term investments	-	-	864	864
Receivables:				
Accounts	163	-	-	163
Pledges	-	-	-	-
Notes receivable	-	9,969	-	9,969
Other receivable	-	22	861	883
	<u>163</u>	<u>9,991</u>	<u>861</u>	<u>11,015</u>
Total receivables				
Due from other governmental units and agencies	906	103	21,199	22,208
Due from primary government	-	1,355	30	1,385
Inventories	-	-	-	-
Prepaid expenses and other assets	138	-	233	371
	<u>1,882</u>	<u>11,449</u>	<u>27,584</u>	<u>40,915</u>
Total current assets				
Restricted assets:				
Cash and cash equivalents	-	-	10,420	10,420
Investments	-	-	18,038	18,038
Project assets	-	-	4,029	4,029
Mortgage loans receivable	-	-	11,628	11,628
Bond issues costs and discounts	3,507	-	1,225	4,732
Other restricted assets	35,262	-	2,706	37,968
	<u>38,769</u>	<u>-</u>	<u>48,046</u>	<u>86,815</u>
Total restricted assets				
Property and equipment - at cost:				
Land	-	-	3,047	3,047
Construction-in-progress	-	-	-	-
Land improvements	-	-	3,271	3,271
Buildings and improvements	-	-	35,352	35,352
Other property and equipment	212,664	-	3,643	216,307
	<u>212,664</u>	<u>-</u>	<u>45,313</u>	<u>257,977</u>
Less accumulated depreciation	-	-	(4,052)	(4,052)
	<u>212,664</u>	<u>-</u>	<u>41,261</u>	<u>253,925</u>
Property and equipment, net				
Other assets	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 253,315</u>	<u>\$ 11,449</u>	<u>\$ 116,891</u>	<u>\$ 381,655</u>

	City of Atlanta and Fulton County Recreation Authority	Atlanta Empowerment Zone Corporation	Atlanta Development Authority	Totals
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 363	\$ 283	\$ 2,927	\$ 3,573
Accrued interest payable	-	-	-	-
Notes and loans payable	-	-	1,268	1,268
Other liabilities	<u>5,365</u>	<u>-</u>	<u>923</u>	<u>6,288</u>
Total current liabilities	<u>5,728</u>	<u>283</u>	<u>5,118</u>	<u>11,129</u>
Liabilities Payable from Restricted Assets:				
Current maturities of long-term debt	4,382	-	10,962	15,344
Accrued interest payable	-	-	1,898	1,898
Other liabilities	250	-	21,044	21,294
Deferred revenues	<u>-</u>	<u>-</u>	<u>807</u>	<u>807</u>
Total liabilities payable from restricted assets	<u>4,632</u>	<u>-</u>	<u>34,711</u>	<u>39,343</u>
Long-Term Liabilities:				
Long-term debt, excluding current maturities	<u>216,310</u>	<u>-</u>	<u>59,536</u>	<u>275,846</u>
Total liabilities	<u>226,670</u>	<u>283</u>	<u>99,365</u>	<u>326,318</u>
NET ASSETS				
Investment in capital assets, net of related debt	-	-	80	80
Restricted for grant programs	-	10,682	10,515	21,197
Unrestricted	<u>26,645</u>	<u>484</u>	<u>6,931</u>	<u>34,060</u>
Total net assets	<u>\$ 26,645</u>	<u>\$ 11,166</u>	<u>\$ 17,526</u>	<u>\$ 55,337</u>

CITY OF ATLANTA, GEORGIA

Component Units

Statement of Activities

For the Year Ended December 31, 2003

(Unaudited)

(In Thousands)

Functions/Programs Component Units	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	TOTALS
Governmental activities:							
Atlanta Empowerment Zone:							
General government	7,259	-	3,370	-	(3,889)		(3,889)
Depreciation - unallocated	-	-	-	-	-		-
Total Governmental activities	7,259	-	3,370	-	(3,889)		(3,889)
Business-type activities							
City of Atlanta Fulton County Recreation Authority	13,591	9,562	-	-		(4,029)	(4,029)
Atlanta Empowerment Zone	44	54	-	-		10	10
Atlanta Development Authority	24,940	17,367	-	322		(7,251)	(7,251)
Total Business-type activities	38,575	26,983	-	322		(11,270)	(11,270)
Total Component Units	\$ 45,834	\$ 26,983	\$ 3,370	\$ 322	(3,889)	(11,270)	(15,159)
General revenues:							
Investment income							
Other						3,315	3,315
Total General revenues						3,315	3,315
Change in net assets					(3,889)	(7,955)	(11,844)
Net assets - beginning of year					12,895	54,286	67,181
NET ASSETS - END OF YEAR					\$ 9,006	\$ 46,331	\$ 55,337

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA

Notes to Financial Statements
Year ended December 31, 2003

A. Summary of Significant Accounting Policies

The accounting principles of the City of Atlanta, Georgia (the "City") conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental entities. The Governmental Accounting Standards Board ("GASB") is the standards-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the City are described below.

The Financial Reporting Entity

The City of Atlanta is a municipal corporation governed by the Mayor and the City Council. In evaluating how to define the City for financial reporting purposes, the management of the City has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The concept underlying the definition of the reporting entity is that elected officials are accountable. The component units discussed below are included because of the significance of their operational or financial relationships with the City. All blended and discretely presented component units, except as noted below, have a December 31 year end.

Blended Component Units

The Urban Design Commission ("UDC") and the Solid Waste Management Authority ("SWMA") are governed by boards appointed by the Mayor and/or the City Council who have the ability to impose their will on UDC and SWMA. Although they are legally separate from the City, UDC and SWMA are reported as if they are part of the primary government because their primary purpose is to provide services to the City. The general funds of each of these entities are reported as special revenue funds of the City. SWMA's capital projects fund is reported as a capital projects fund of the City.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the City of Atlanta and Fulton County Recreation Authority ("Recreation Authority"), the Atlanta Empowerment Zone Corporation ("AEZC"), the Atlanta Development Authority ("ADA"), and the Atlanta Clean City Commission ("ACCC"). They are reported in a separate column to emphasize that they are legally separate from the City. The Recreation Authority and ADA are accounted for as proprietary fund types and AEZC and ACCC are accounted for as governmental fund types in the fund-level financial statements.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Recreation Authority - Created in 1961, the principal activities of the Recreation Authority include the maintenance and oversight of an athletic stadium (the "Stadium"), an athletic coliseum (the "Arena"), and the Atlanta Zoo ("Zoo"), in which the Recreation Authority acts as lessee under a leasehold interest granted by the City. The Mayor appoints the majority of the governing body of the Recreation Authority. The City has a two-thirds interest in the Recreation Authority. Fulton County's one-third interest is reported as minority interest in the accompanying financial statements. The separate financial statements which comprise the Recreation Authority may be obtained from the City of Atlanta Department of Finance, 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

The City and Fulton County (the "County") have contracted with the Recreation Authority to fund any deficiencies in principal and interest payments on the applicable revenue bonds issued for construction of the Arena and the Zoo. When these revenue bonds have been fully paid, the Recreation Authority will convey fee simple title of the Arena to the City and the County based on their proportionate shares noted above. There were no such deficiencies during 2003 that required funding by the City.

The financial statements of the Recreation Authority consolidate the operations of the Zoo, which has an August 31 year end, and with its operations of the Stadium and Arena, the Recreation Authority has a December 31 year end.

AEZC - The AEZC was established and incorporated in 1995 to oversee, implement, administer, and monitor the strategic plan for the Empowerment Zone program. The Empowerment Zone program was established with a federal grant in the amount of \$100,000,000 under Title XX of the Social Security Act as amended by Part VI of the Omnibus Budget Recreation Act of 1993, in accordance with the strategic plan set forth in the City's grant application. The Empowerment Zone program grant has an initial ten-year term that expires July 16, 2005. The Empowerment Zone is a contiguous 9.3 square mile area in the City comprising approximately 50,000 residents wherein nearly 55% of this population's income is at or below poverty level. The benchmark projects established in the strategic plan are to satisfy the Empowerment Zone program's four key principles: (1) creating economic opportunity; (2) creating sustainable community development, (3) building broad participation among community-based partners, and (4) describing a strategic vision for change in the community. The AEZC is managed by an Executive Board of 17 which is chaired by the Mayor. The Mayor is responsible for appointing the members of the Executive Board. The separate financial statements of AEZC may be obtained from the City of Atlanta Department of Finance, 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

ADA - ADA was established to promote the revitalization and growth of the City of Atlanta through a comprehensive and centralized program focusing on community development and redevelopment. It was created effective January 1, 1997 and combines many previously separate organizations which were performing similar economic development functions. The Mayor and City Council are responsible for appointing the members of the Board of Directors of ADA and have the ability to impose their will on ADA. The separate financial statements of ADA may be obtained from the City of Atlanta Department of Finance, 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

ACCC - The ACCC, which is legally separate from the City, was established to provide and oversee a strategic plan for keeping the City of Atlanta clean. The ACCC is governed by a board appointed by the Mayor and the City Council. The Mayor and City Council have the ability to impose their will on ACCC. The ACCC does not have separate financial statements as it does not have any account balances at December 31, 2003 and there was no activity within the ACCC during 2003.

Related Organizations

The City is also responsible for appointing a majority of the members of the boards of the Atlanta Housing Authority and the First Source Job Program but the City's accountability for these organizations does not extend beyond making appointments.

Joint Ventures

The Atlanta-Fulton County Water Resource Commission (the "Commission") is a joint venture between the City and the County for the construction and operation of the North Area water treatment plant. The City and the County shared equally in the construction costs of Phase I and Phase II of the plant. The Commission is governed by a seven-member management commission, three of which are appointed by the City, three by the County, and one independent member elected by vote of the other members. The City and County also approve the annual budget of the Commission.

The cost of operations of the plant are paid directly by the City as incurred. The City is subsequently reimbursed by the County for its pro rata share of the operating costs. The costs are allocated between the City and the County on the basis of water delivered to each. The City's share of those costs was \$1,489,000 for the year ended December 31, 2003.

Financial information for the Commission as summarized below, is as of and for the year ended December 31, 2003 (dollars in thousands):

Total assets (net property, plant, and equipment)	\$128,134
Total fund net assets	\$122,376
Total operating revenue	\$ 4,230
Total operating expenses	\$ 6,562
Net loss	\$ (2,283)

During 2003, the Commission began construction of phase 2.5 which is budgeted to cost \$66,913,000 which is funded equally by the County and the City.

The separate financial statements of the Commission may be obtained from the City of Atlanta Department of Finance, 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Under Georgia law, the City, in conjunction with other cities and counties in metropolitan Atlanta, is a member of the Atlanta Regional Commission (ARC) and is required to pay annual dues thereto. During the past year, the City paid approximately \$259,000 in such dues. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC. The ARC Board membership includes the chief elected official of each county and municipality in 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 the Atlanta Regional Commission; 40 Courtland St. NE; Atlanta, Georgia 30303.

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 nonfiduciary activities of the City and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on user fees and charges for support. Likewise, the City is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to applicants who 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 meeting the definition of program revenues are reported instead as *general revenues*.

Interfund activity has been eliminated from the government-wide financial statements except for charges between the governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported in the various functions concerned.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 45 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, 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 City.

The City reports the following major governmental fund:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial transactions of the City, except those required to be accounted for in another fund. Proprietary funds distinguish operating revenues and expenses from nonoperating 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. Operating expenses for enterprises funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

Water and Wastewater System Fund - This fund accounts for activities associated with the provision of water, wastewater and water pollution control services to individuals, organizations and other governmental units within and around the City of Atlanta. During a portion of 2003, these facilities were operated by United Water Services Unlimited LLC under contract with the City (see Note P).

Department of Aviation Fund - This fund accounts for the activities of the William B. Hartsfield - Maynard H. Jackson Atlanta International Airport

In addition, the City has an *Internal Service Fund*, accounted for as a proprietary fund. The activities of the Bureaus of Management Information Systems and Motor Transport Services are accounted for in the Internal Service Fund, as well as group insurance transactions related to the provision of life, accident, and medical insurance benefits through outside insurance companies for permanent employees and retirees of the City.

Private-sector standards, of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Fiduciary Fund Types

Trust Funds - These funds account for activities in which the City acts as trustee for an individual or organization. Additionally, these funds account for *Pension Trust Funds* which accumulate resources for pension benefit payments to qualified general employees, police and firefighters for the City.

Agency Funds - These funds account for deposits held in custody for various deposits for which the City is the agent or custodian.

Additionally, the City reports the following fund types as nonmajor funds:

Governmental Fund Types

Debt Service Fund - This fund is used to account for the accumulation of resources and the subsequent disbursement of such resources to pay principal and interest on long-term debt of the City (other than certificates of participation and the debt of the Enterprise Funds). Bond ordinances require the City to account for debt service transactions in separate funds, restrict the flow of cash between such funds, and comply with various other covenants. For financial statement reporting, the various debt service funds have been combined.

Special Revenue Funds - These funds account for activities carried out by the City under the terms of certain intergovernmental grants, or as otherwise deemed to require separate reporting.

Capital Projects Funds - These funds account for the accumulation of resources and the subsequent disbursement of such resources to acquire or renovate major capital assets.

Assets, liabilities and net assets or equity

Cash Equivalents

The City considers all highly liquid debt securities with an original maturity of three months or less to be cash equivalents.

Investments

Statutes authorize the City to invest in U.S. Government obligations, U.S. Government agency obligations, State of Georgia obligations, obligations of a corporation of the U.S. Government, and the Georgia Fund I (a local government investment pool maintained by the State of Georgia). The City invests in repurchase agreements only when collateralized by U.S. Government or agency obligations. By statute, up to 55% of the cost basis of the investment portfolio for the pension plans may consist of U.S. corporate equity securities.

In accordance with authorized investment laws, the City, in its pension funds, can invest in various mortgage-backed securities, such as collateralized mortgage obligations ("CMOs") and government backed mortgage securities. These are separately identified in the disclosure of custodial credit risk (see Note E).

Investments, other than repurchase agreements, are carried at fair value, based on quoted market prices, and include any accrued interest. Repurchase agreements are valued at their amortized cost.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

The City maintains a pooled investment fund. All investments, except those held in debt service, special revenue, pension funds, various capital project funds, and for construction projects of enterprise funds, are held in this fund. This fund is not considered a separate accounting entity for financial reporting purposes; instead, each participating fund's equity in the pooled investment fund is recorded as investments on the accompanying combined balance sheet. Investment income of this pooled fund is allocated to each participating fund based on that fund's recorded equity in the pooled fund.

The activity related to certain short-term investments of the component units is reported as a net change in the investment balance in the cash flow statements as their turnover is quick and their maturities are generally short term.

Materials and Supplies

Materials and supplies are stated at cost (substantially first-in, first-out) which is not in excess of market. Inventories are accounted for using the consumption method.

Restricted Assets

Restricted assets represent amounts which are required to be maintained pursuant to City ordinances relating to the passenger facility charges of the airport, construction, renewal and extension and sinking funds, funds received for specific purposes pursuant to U. S. government grants and various reserves and sinking funds required under certain bond agreements.

The City's policy is to use restricted resources first, then unrestricted resources, when both are available for use to fund an activity.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks, and similar items) used in governmental and business-types activities of the City are recorded in the statement of net assets, respectively, at historical cost (or estimated historical cost). Donated capital assets are recorded at their estimated fair value at the date of donation. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Expenses for replacements, maintenance, repairs, and betterments which do not materially prolong the life of the related asset are charged to expenditures/expenses when incurred.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following estimated useful lives:

Governmental-type activities:

Buildings	20-50 years
Building improvements	20 years
Furniture and equipment	3-10 years
Vehicles	5-8 years
Infrastructure	25-50 years

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

Business-type activities:

Department of Aviation:

Runways, taxiways, and other land improvements	15-40 years
Terminal and maintenance buildings and other structures	15-40 years
Other property and equipment	3-20 years

Water and Wastewater System:

Water and wastewater plant and treatment facilities	50-75 years
Water collection and distribution system	60 years
Wastewater system	67 years
Machinery, equipment, and other	4-10 years

Sanitation:

Buildings	20-25 years
Equipment	5-20 years

Parks and Recreational Facilities:

Buildings	40 years
Other property and equipment	15-20 years

Underground Atlanta:

Parking garage	30 years
Buildings	15 – 30 years
Machinery, equipment, and other	5 years

Internal Service Fund:

Buildings	40 years
Other property and equipment	3-8 years

City of Atlanta and Fulton County Recreation Authority

(as a discretely presented component unit):

Buildings and improvements	15-30 years
Parking garage	30 years
Other property and equipment	3- 10 years

The City has elected not to capitalize works of art and historical treasures based on its policy that these items are not held for financial gain, they will be preserved and any proceeds from the sale of the items will be used to acquire other collections.

Interest is capitalized on proprietary fund assets constructed with the proceeds of tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. The Water and Wastewater System capitalized \$55,107,000 in interest costs during 2003.

Compensated Absences

City employees can accrue a maximum of 25 to 45 days of annual leave, depending upon the length of service, and 20 days of compensatory leave. Vested or accumulated vacation and compensatory pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

financial resources are reported as long-term debt in the government-wide financial statements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Employees can accrue unlimited amounts of sick leave. Sick leave can be taken only due to personal illness or, in certain cases, illness of family members. Depending on City Council's approval and the availability of funds, employees may be paid in cash each year for a portion of their sick leave accrual in excess of a stated base accumulation. No accrued liability is recorded for sick pay accumulated since the amount which ultimately may be paid is not determinable.

Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However claims and judgments, the noncurrent portion of capital leases, compensated absences, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made with 45 days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Bond discounts and issuance costs in the government-wide financial statements are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable. Gains and losses from refundings of government-wide and proprietary fund types are deferred and amortized over the shorter of the life of the new or old debt on a straight-line basis.

Net Assets

Reservations of Net Assets - The unreserved fund balances for governmental funds represent the amount available for future operations. The reserved fund balances for governmental funds represent the amounts that have been legally identified for specific purposes. Unreserved Net Assets for proprietary funds represent the net assets available for future operations or distribution. Reserved net asset proprietary funds represent the net assets that have been legally restricted for specific purposes. The following reservations have been established by the City:

- *Net Assets - Reserved for Capital Projects and Debt Service* - This portion of Net Assets represents various restricted assets of the Enterprise Funds, less liabilities payable from such assets, that are not available for appropriation.
- *Net Assets - Reserved for Minority Interest* - This portion of Net Assets represents the County's one-third interest in the Recreation Authority.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

- *Fund Balance - Reserved for Encumbrances, Special Programs and Capital Improvements* - This portion of fund balance represents various restricted assets or resources of the City which have been encumbered or appropriated for purchase orders or contractual obligations.
- *Fund Balance - Reserved for Debt Service* - This portion of fund balance represents resources of the City which have been formally set aside for future debt service.

Net Assets

Equity for government-wide and proprietary fund statements is classified as net assets and displayed in three components:

Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Grants From Other Governments

Federal and state governmental units represent an important source of supplementary funding used to finance housing, employment, construction programs, and other activities beneficial to the community. This funding, primarily in the form of grants, is recorded in the Governmental, Proprietary, and Fiduciary funds. All grant contributions in the Proprietary Funds are for the purpose of construction activities, or land or easement acquisitions. Accordingly, they are recorded in the statement of revenues, expenses, and changes in net assets as a separate line item after non-operating revenues and expenses as capital contributions. For all funds, a grant receivable is recorded when the City has met all applicable eligibility requirements.

Impact and Recoupment Fees

The City charges impact and recoupment fees to developers to help defray costs of certain transportation, parks and recreation, fire protection, emergency medical services, and police facilities in order to ensure these facilities are available to serve new growth and development in the City. Amounts received from impact fees are recorded as deferred revenue until such time as the facilities are ready for their intended use at which time revenue is recognized. Recoupment fees are not deferred and are recorded as revenue when measurable and available.

Notes to the Financial Statements - Continued

A. Summary of Significant Accounting Policies, continued

General Services Costs

The City allocates a portion of general services costs (such as purchasing, accounting, budgeting, personnel administration, and certain other costs based on allocation methods determined by an independent study) to the Department of Aviation, the Water and Wastewater System, the Sanitation Fund, and the Internal Service Fund in order to more fully reflect the actual cost of operating these Proprietary Funds. In 2003, such allocated expenses amounted to \$13,793,000 for the Department of Aviation, \$16,539,000 for the Water and Wastewater System, \$4,401,000 for the Sanitation Fund, and \$5,041,000 for the Internal Service Fund.

Costs allocated to the Community Development Fund are based upon a negotiated indirect cost rate, determined by an independent study. The City's indirect cost rate is based upon the prior years' cost calculation, documented in the Cost Allocation Plan. Such expenditures charged to Community Development during 2003 amounted to \$788,000. The reimbursement of these costs to the General Fund is recorded as a reduction in expenditures.

Indirect expenses and direct expenses are reported in separate columns in the government-wide statement of activities.

New Accounting Pronouncements

The City will adopt the following new accounting pronouncements in future years:

GASB 39 – *Determining Whether Certain Organizations Are Component Units* effective for the City's year ending December 31, 2004.

GASB Statement No. 40 – *Deposits and Investment Risk Disclosures*, effective for the City's fiscal year ended December 31, 2005.

GASB Statement No. 42 – *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, effective for the City's fiscal year ended December 31, 2005.

GASB Statement No. 43 – *Postemployment Benefit Plans Other Than Pension Plans*, effective for the City's fiscal year ended December 31, 2006.

The impact of these pronouncements on the City's financial statements has not been determined.

Use of 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 amounts of assets, liabilities, revenues, expenditures/expenses and disclosures. Actual results could differ from those estimates.

Notes to the Financial Statements - Continued

Stewardship, Compliance and Accountability

B. Budgets and Budgetary Accounting

Annual budgets are adopted for the General Fund, the Community Development Special Revenue Fund, the Intergovernmental Grant Special Revenue Fund, Debt Service Fund, and each Capital Projects Fund with the level of legal budgetary control established at the department level by City Council. The remaining governmental funds and operating portions of the proprietary funds of the City adopt project-length or management budgets. The City is required to adopt a balanced budget each year and maintains budgetary controls to ensure compliance with legal provisions of the annual appropriated budget approved by the Mayor and City Council.

The amounts of anticipated revenues and appropriated expenditures for the annual budget are controlled by the City Charter and various ordinances adopted by the City Council.

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Comparison (Budgetary Basis) - General, Special Revenue, Debt Service, and Capital Projects Funds presents comparisons of the legally adopted budget, and legally adopted interdepartmental transfers of appropriations, with actual operating results on a budgetary basis. Since the legally adopted budget is on a cash basis, which differs significantly from GAAP, the actual data is similarly presented on a cash basis for comparison purposes, however other financing sources are separately displayed and budgeted as such. A reconciliation from the cash basis to GAAP basis is also presented in each statement.

The responsibility for revenue anticipations and specified appropriations is fixed by law with the Budget Commission, which is composed of the Mayor, the Chief Financial Officer, the Chair of the City Council Finance Committee, and two other members of City Council. The Budget Commission may not anticipate in any year an amount in excess of 99% of the normal revenues of the City actually collected during the previous year (unless tax rates or fees are increased) plus any accumulated cash surplus carried forward from the previous year. Grant revenues are anticipated in the Community Development and Intergovernmental Grant Funds in the year the grant is awarded to the City, although the funds may not be received in the same year. Grant revenue is, therefore, not considered to be over-anticipated until the activity for which the funds were granted is completed and actual revenues are less than anticipated revenues.

The amount remaining from such anticipations, after providing for the above required appropriations, may be appropriated by the Mayor and City Council for any department or purpose authorized by law not later than the second regular meeting of City Council in the second month of the fiscal year.

After the initial annual budget is adopted, it may be amended for interdepartmental transfers of appropriations with the approval of City Council. Intradepartmental transfers of appropriations among individual budgetary accounts may be initiated by a department head with the approval of the Chief Operating Officer, the Chair of the City Council Finance Committee, and the Chief Financial Officer.

Total appropriations for any fund may be increased if, during the year, sources of revenue become available to the City in excess of original anticipations, and these amounts are anticipated by the Budget Commission and subsequently appropriated by City Council. During 2003 supplemental anticipations and appropriations occurred as legal amendments to the budget were adopted in

Notes to Financial Statements - Continued

B. Budgets and Budgetary Accounting, continued

accordance with the procedures described above. Budget amounts in the accompanying financial statements reflect these budget amendments.

Encumbrance accounting, under which purchase orders and contracts are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of the formal budgetary process. All appropriations, except for the General Fund's reserved fund balance, construction, bond proceed funds, and Special Revenue funds, lapse at the end of the year, but are considered during the following year's budgeting process. Contractually encumbered appropriations and certain unencumbered appropriations in the General Fund do not lapse, but are carried forward to the ensuing budget year as budgetary amendments.

C. Net Assets/Fund Balance Deficit

The following funds reported deficits in Net Assets at December 31, 2003:

- The Intergovernmental Grant Fund had an accumulated deficit \$1,498,000 due to deficiencies in operating revenues. This deficit is due to the timing of revenue recognition for certain grant funding based on when eligibility requirements are met.
- The Sanitation Fund had an accumulated deficit of \$54,198,000 due to deficiencies in operating revenues. Billed rates, billing methodologies, and operating costs will all be evaluated in order to eliminate the negative net assets in future periods.
- Underground Atlanta had an accumulated deficit of \$8,932,000 due to deficiencies in operating revenues (see note H). In mid 1999, the City and the previous private management company of Underground Atlanta terminated their lease agreement. The City subsequently signed another lease agreement with a new private management company. The new management company was selected from a group of interested companies as having the best plan to revitalize the Underground Project and provide positive operating results in the future.

Detailed Notes on All Funds

D. Cash and Cash Equivalents and Investments

Cash and Cash Equivalents

At year-end, the carrying amount of the City's cash deposits, including cash accounts, certificates of deposit, and short-term investments, was \$249,127,000 and the bank balance was \$249,508,000. The amount of the total bank balance is classified into three categories of credit risk: 1) cash that is insured or collateralized with securities held by the City or by its agent in the City's name, 2) cash collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, and 3) uncollateralized bank accounts.

The balance is classified as follows at December 31, 2003 (in thousands):

1	\$ 177,412
2	72,096
3	_____
Total	<u>\$ 249,508</u>

Notes to the Financial Statements - Continued

D. Cash and Cash Equivalents and Investment, continued

At year-end, the carrying amount of the City's discretely presented component unit's cash deposits, including cash accounts and certificates of deposit, was \$15,492,000 (unaudited) and the bank balance was \$15,624,000 (unaudited). The balance of the discretely presented component units is classified as follows at December 31, 2003 (in thousands) (unaudited):

1		\$	5,394
2			-
3			<u>10,098</u>
Total		\$	<u>15,492</u>

Investments

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 represents investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 represents uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 represents uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent, but not in the City's name (in thousands):

<u>Security Type</u>	<u>Risk Category</u>			<u>Carrying value</u>
	1	2	3	
U.S. Government obligations	\$ 202,024	\$ 432,725	\$ -	\$ 634,749
U.S. agency obligations	46,139	400,814	-	446,953
Equities	417,741	-	-	417,741
Repurchase agreements	209,832	668,694	-	878,526
Corporate bonds	102,516	-	-	102,516
Collateralized mortgage obligations	<u>86,701</u>	<u>-</u>	<u>-</u>	<u>86,701</u>
Total categorized investments	<u>\$ 1,064,953</u>	<u>\$ 1,502,233</u>	<u>\$ -</u>	<u>\$ 2,567,186</u>
Investments not categorized:				
Local investment pool				30,633
Guaranteed investment contracts				238,077
Mutual funds				300,292
Held by broker-dealers under securities				
lending arrangements with cash collateral:				
U.S. Government and agency obligations				332,730
Corporate equities				184,767
Corporate bonds				143,126
Securities lending short-term collateral				
investments				<u>331,866</u>
				<u>1,561,491</u>
Total				<u>\$ 4,128,677</u>

Notes to the Financial Statements - Continued

D. Cash, Cash Equivalents and Investments, continued

The following is a reconciliation of the carrying amount of investments as shown above to the amounts shown in the statement of net assets (in thousands):

Balance per above	\$4,128,677
Presented as:	
Unrestricted	\$ 884,152
Included with restricted assets	1,544,241
Fiduciary Funds	<u>1,700,284</u>
	<u>\$4,128,677</u>

The City's discretely presented component units' investments are categorized below to give an indication of the level of risk assumed by the component units at year-end (in thousands) (unaudited).

<u>Security Type</u>	Risk Category			<u>Carrying value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Certificates of Deposit	\$ 864	\$ -	\$ -	\$ 864
Total categorized investments	<u>\$ 864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 864</u>
Investments not categorized:				
Investment in joint venture				372
Investment in real estate				14,670
Investment in development projects				<u>2,996</u>
Total				<u>\$18,902</u>

The following is a reconciliation of the carrying amount of investments the amounts shown in the financial statements (in thousands) (unaudited):

Balance presented as:

Short-term investments	864
Included with restricted assets	<u>\$18,038</u>
Total	<u>\$18,902</u>

The City invests in U.S. Treasury interest-only strips in part to maximize yields and in part to hedge against a rise in interest rates. In addition, the City's pension funds also invest in collateralized mortgage obligations (CMO's) and government backed mortgage securities. These securities are based on cash flows from interest payments on underlying mortgages. They are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. For example, if interest rates decline and mortgagees refinance their mortgages, thereby prepaying the mortgages underlying these securities, the cash flows from interest payments are reduced and the value of these securities declines. Likewise, if mortgagees pay on mortgages longer than anticipated, the cash flows are greater and the return on investment would be higher.

Notes to the Financial Statements - Continued

D. Cash, Cash Equivalents and Investments, continued

Securities Lending

State statutes and Retirement Board of Trustee policies permit the City's pension funds (the Fund's) to lend their securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Funds' custodians lend securities of the type on loan at year-end for collateral in the form of cash or other securities of 102%. Securities loaned at year-end for cash collateral are presented as unclassified in the preceding schedule of custodial credit risk; securities loaned for securities collateral are classified according to the category for the collateral.

Cash collateral is invested in overnight investments and the Funds have the ability to pledge or sell the collateral securities even without borrower default. At year-end, the Funds have no significant credit risk exposure to borrowers because the amounts the Funds owe the borrowers exceed the amounts the borrowers owe the Funds. The contract with the Funds' custodian requires it to indemnify the Funds if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities loaned or fail to pay the Funds for income distributions by the securities' issuers while the securities are on loan.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year. There are no income distributions owing on the securities loaned. The City records the cash received as collateral under securities lending agreements and the investments purchased with that cash as securities lending short-term collateral investment pool with a corresponding amount recorded as a liability.

E. Property Taxes, Local Option Sales Taxes, and Car Rental Taxes

Property taxes include amounts levied against all real, public utility, and tangible property. The City shares a common tax base with the Atlanta Board of Education, portions of Fulton and DeKalb counties, and a hospital authority. The distribution of the City's 2003 levy (tax rate per \$1,000 assessed taxable value) to its funds and to the Atlanta Board of Education (which operates as a separate legal entity and is not included in the City's financial reporting entity) is as follows:

	Millage Rate
General Fund	8.710
General Obligation Bond Sinking Fund:	
City Bonds	1.300
School Bonds	.109
Park Improvement Fund (included in Capital Projects Funds)	.500
Board of Education for operations	<u>21.460</u>
	<u>32.079</u>

Notes to the Financial Statements – Continued

E. Property Taxes, Local Option Sales Taxes, and Car Rental Taxes, continued

The City's annual tax millage rates are established in May or June after receipt of the certified tax digest from the Fulton County Board of Tax Assessors. The millage rate is based on the anticipated tax digest that is submitted to the State of Georgia on May 30. The tax digest is based on real and tangible assessed property values as of January 1. The tax assessment responsibility is the responsibility of Fulton County.

Assessed values are established by the Tax Assessors' Office at 40% of appraised market value as required by the State of Georgia. A revaluation of all property is done annually, based on statistical analysis. That valuation in 2003 resulted in an assessed value, prior to Freeport exemption, of approximately \$18,596,815,680.

Tax bills are sent to property owners in early July. Fulton County acts as the City's agent in billing and collecting property taxes levied for property within the City limits and in Fulton County. DeKalb County acts as the City's agent in billing and collecting property taxes levied for property within the City limits and in DeKalb County. The billing and collection fees due to the Counties are withheld from cash remitted to the City and are reported as a reduction to property tax revenue. Such fees amounted to approximately \$1,752,579 in 2003. Real and tangible property taxes are payable to the Counties on August 15th and, if not paid, become delinquent on August 16th. Public utility taxes are due in December and, if not paid before December 20th, become delinquent. Once taxes become delinquent, the Tax Commissions' Office adds penalties to the original tax and sends past due notices. The delinquent taxpayer then has 30 days to remit payment after the 30 day period, the Tax Commissioners' Office may begin procedures to sell the property for the collection of the past due tax. The collection period for the City is typically from July 1 to December 31, with pursuance of delinquent taxes early in the following year.

A 1% local option sales tax is levied in Fulton County and the City receives a percentage of that amount based on a pre-defined formula. This amount is collected by the State of Georgia and remitted to the City on a two-month lag. The tax law requires an offsetting reduction in property tax during each subsequent year of assessment equal to the amount of sales tax revenue received in the prior year.

A 3% excise tax on all rental motor vehicles was implemented in June 1996. This car rental tax is intended to be used to promote industry trade, commerce, and tourism and fund capital outlay projects. The capital outlay projects have included infrastructure improvements required for the new sports arena complex which houses the professional basketball and hockey franchises, the Atlanta Hawks and Atlanta Thrashers, respectively.

Notes to the Financial Statements - Continued

F. Reserved Net Assets and Restricted Assets

The bond covenants require certain reservations of Net Assets of the Water and Wastewater System and the Department of Aviation. Reserved Net Assets at December 31, 2003 are as follows (in thousands):

	<u>Water and Wastewater System</u>	<u>Department of Aviation</u>	<u>Total</u>
Passenger facility charges	\$ -	\$373,553	\$373,553
Debt service and debt service reserve	(8,041)	56,201	48,160
Total	<u>\$(8,041)</u>	<u>\$429,754</u>	<u>\$421,713</u>

Enterprise Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of resources that can be used only to service outstanding debt. Other assets are restricted by bond ordinances for capital purposes. The General Fund, because of covenants required by various Certificates of Participation is required to keep certain reserve balances. This includes the investment account established by the 1998 Georgia Municipal Association Certificates of Participation related to the 1998 lease pool, as discussed further in Note L related to long-term obligations. Restricted assets of the enterprise funds at December 31, 2003 are as follows (in thousands):

	<u>Water and Wastewater System</u>	<u>Department of Aviation</u>	<u>Total</u>
Renewal and Extension Funds:			
Grants receivable	\$ -	\$ -	\$ -
Passenger Facility Charges Fund:			
Investments	-	374,893	374,893
Cash	-	2,104	2,104
Construction Funds:			
Investments	564,882	475,818	1,040,700
Cash	78,769	139,079	217,848
Sinking Funds:			
Investments	13,152	117,481	130,633
Cash	10	-	10
Cash held with fiscal agent	-	16	16
	<u>\$ 656,813</u>	<u>\$ 1,109,391</u>	<u>\$1,766,204</u>

Notes to the Financial Statements - Continued

G. Underground Atlanta Project

The Underground Atlanta Project ("Project") is a restored historical section of downtown Atlanta containing bars, restaurants, and retail shops. In order to fund this project, in 1986 DDA issued approximately \$85,000,000 (Note L) in revenue bonds, and in 1992 a portion of those bonds were refunded with the issuance of approximately \$76,580,000 in Refunding Revenue Bonds. In addition to financing provided by DDA, other financing of approximately \$56,000,000 was provided by a combination of federal grants, sales tax revenues, Fulton County Building Authority grant, and private funds.

Under a related agreement, the City leases from the Downtown Development Authority ("DDA") that portion of the Project representing land and buildings formerly owned by the City and conveyed to DDA to facilitate completion of the Project (the commercial facilities). Lease payments are equal to the principal and interest payments on the revenue bonds. Upon retirement of the revenue bonds, title to the public facilities reverts to the City.

Under an agreement with a private management company, the City receives revenues from the Project based on certain formulas applied to earnings of the Project. The City's contract with DDA requires the City to exercise its power of taxation to the extent necessary to pay the bonds should revenues paid to the City by the Project, together with any other funds available, not be sufficient to pay the revenue bonds. Accordingly, the portion of the Project related to the revenue bonds of DDA is a part of the City's reporting entity and is included in an Enterprise Fund titled "Underground Atlanta." This fund also includes all City transactions related to the Project, such as Project revenues earned by the City.

At December 31, 2003, the DDA had outstanding \$71,625,000 in aggregate principal, representing DDA's portion of the Project.

A private management company (the "Company") had a 48-year operating sublease agreement with the City for the commercial facilities of Underground. Annual rental payments are equal to (1) a pro rata portion, 21.725% of the annual debt service on the City's Revenue Bonds (facilities rent), (2) \$1,100,000 in the first year, after the development opens, plus 5% per year thereafter (ground rent), and (3) 75% of "annual cash flow" as defined in the rental agreement in excess of \$800,000 (additional rent). In March 1999, the City and the Company signed an agreement canceling the aforementioned operating sublease, providing forgiveness of all previously recorded notes and rents receivable, and transferring land parcels owned by the Company to the City. The revenue for all notes and rents receivable had been deferred. The City subsequently entered into an operating sublease agreement with another private company to operate and manage the Underground project. The property lease and the land parcels transferred to the City were valued by a third party to be \$8,000,000 and \$3,000,000, respectively, which were recorded as assets of Underground and for which the lease value is being amortized over the life of the lease.

Notes to Financial Statements - Continued

H. Interfund Assets, Liabilities, and Transfers

During the course of its operations, the City makes transfers between funds to finance operations, provide services, acquire assets and service debt. To the extent that certain transfers between funds had not been received as of year end, balances of interfund amounts receivable or payable have been recorded. Interfund receivable and payable balances as of December 31, 2003 are as follows (in thousands):

	Due from other funds	Due to other funds
General Fund	\$ 44,034	\$ 1,808
Nonmajor governmental funds	8,365	37,146
Water and Wastewater Fund	7,376	6,193
Department of Aviation	18,817	16,691
Nonmajor enterprise funds	60	19,229
Internal Service Fund	381	-
Fiduciary funds	17,012	16,071
Total Primary Government	\$ 96,045	\$ 97,137

Interfund receivables and payables are not reported in the government-wide financial statements but are netted to zero as internal balances in the government-wide statement of net assets.

Component Units:

	<u>Due from</u>	<u>Due to</u>
Special Revenue Funds:		
Intergovernmental Grant Fund:		
Atlanta Empowerment Zone Corporation	\$ -	\$ 1,385
Discretely presented component units:		
Atlanta Empowerment Zone Corporation:		
Intergovernmental Grant Fund	\$ 1,385	\$ -

Notes to Financial Statements - Continued

H. Interfund Assets, Liabilities, and Transfers, continued

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments are due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers for the year ended December 31, 2003 are as follows (in thousands):

	Transfers In	Transfers Out
General Fund	\$ 8,030	\$ 11,927
Nonmajor governmental funds	53,315	56,430
Nonmajor enterprise funds	7,730	717
Total	<u>\$ 69,074</u>	<u>\$ 69,074</u>

Notes to Financial Statements - Continued

I. Capital Assets

A summary of capital assets activity and changes in accumulated depreciation for the year ended December 31, 2003 follows (in thousands):

	Balance at December 31, 2002	Additions	Deletions and Retirements	Balance at December 31, 2003
Governmental activities:				
Land	\$ 188,863	\$ 4,234	\$ -	\$ 193,097
Construction in progress	\$ 46,929	\$ 33,568	\$ 2,579	\$ 77,918
	\$ 235,792	\$ 37,802	\$ 2,579	\$ 271,015
Land improvements	\$ 20,533	\$ 25	\$ -	\$ 20,558
Buildings and building improvements	\$ 266,014	\$ 8,463	\$ 5,482	\$ 268,995
Other property and equipment	\$ 143,710	\$ 4,969	\$ 24,626	\$ 124,053
Infrastructure	\$ 1,752,999	\$ 20,813	\$ -	\$ 1,773,812
Total depreciable assets	\$ 2,183,256	\$ 34,270	\$ 30,108	\$ 2,187,418
Totals at historical cost	\$ 2,419,048	\$ 72,072	\$ 32,687	\$ 2,458,433
Less: Accumulated Depreciation				
Land improvements	\$ 9,361	\$ 959	\$ -	\$ 10,320
Buildings and building improvements	\$ 56,646	\$ 5,460	\$ -	\$ 62,106
Other property and equipment	\$ 95,866	\$ 11,203	\$ 27,205	\$ 79,864
Infrastructure	\$ 1,181,868	\$ 32,416	\$ -	\$ 1,214,284
Total accumulated depreciation	\$ 1,343,741	\$ 50,038	\$ 27,205	\$ 1,366,574
Governmental activities capital assets, net	\$ 1,075,307			\$ 1,091,859
Business-type activities:				
Land	826,580	52,075	-	878,655
Construction in progress	463,448	536,880	-	1,000,328
	1,290,028	588,955	-	1,878,983
Land improvements	789,178	23,397	-	812,575
Buildings and other structures	3,706,146	53,153	(814)	3,758,485
Other property and equipment	179,161	7,654	(10,360)	176,455
Total depreciable assets	4,674,485	84,204	(11,174)	4,747,515
Totals at historical cost	5,964,513	\$ 673,159	\$ (11,174)	6,626,498
Less: Accumulated Depreciation				
Land improvements	375,964	16,189	-	392,153
Buildings and other structures	1,457,350	83,942	-	1,541,292
Other property and equipment	94,502	16,534	(2,997)	108,039
Total accumulated depreciation	1,927,816	\$ 116,665	\$ (2,997)	2,041,484
Business-type activities capital assets, net	\$ 4,036,697			\$ 4,585,014

Notes to Financial Statements - Continued

I. Capital Assets, continued

Depreciation expense was charged to governmental funds as follows:

General government:	\$	3,603
Police		2,024
Fire		1,763
Corrections		112
Public Works		36,519
Parks, Recreation and Cultural Affairs		2,178
Nondepartmental		<u>192</u>
 Total	 \$	 <u>46,391</u>

J. Leases

Department of Aviation

The City has entered into lease agreements with four prime concessionaires for food, beverage, and retail concessions. Minimum guarantees are included which are based on passenger levels and adjusted for inflation. There are opportunities for the prime concessionaires to subcontract, but the City requires that the concessionaire provider pay the agreed-upon amount. Additionally, there are several stand-alone lease agreements to enhance the overall concessions business.

The Department leases terminal space, aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants at Atlanta Hartsfield International Airport (the "Airport") under various operating leases which terminate no later than 2023. Certain of the leases provide for fixed and variable rental payments, and all are generally designed to allow the City to meet its debt service requirements and recover certain operating and maintenance costs. Rental receipts related to the terminal are based on the cost of the facilities. In addition, certain of the agreements under which the Department receives revenues from the operation of concessions at the Airport provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum.

Minimum future rentals and fees revenue on noncancelable leases or concession agreements at the Airport are as follows (in thousands):

2004	\$174,293
2005	177,779
2006	181,334
2007	184,960
2008	188,659
2009 – 2023	<u>599,750</u>
	<u>\$1,506,775</u>

Notes to Financial Statements - Continued

J. Leases, continued

The agreement covering the operation of the parking lot does not provide for a minimum fee and is, therefore, not included in the above table. Revenue from this source, which is solely a function of parking lot receipts, as defined, was approximately \$57,293,000 in 2003.

Water and Wastewater System

In July 1968, the City and DeKalb County, Georgia (DeKalb County) entered into an agreement (the Clayton Agreement) providing for the construction of a 120-MGD water pollution control facility to be known as the R.M. Clayton WWTP (the Plant). Pursuant to the Clayton Agreement, the City agreed to assume responsibility for the financing, construction, operation, and maintenance of the Plant. In addition, the Clayton Agreement also gives DeKalb County the right to use 2.6 MGD and 0.02 MGD of the capacity of the City's Entrenchment Creek and South River Wastewater Treatment Plants, respectively. In 1987, the Clayton Agreement was amended to provide that DeKalb County would have the right to use 50 MGD of the capacity, which represents 41.67% of the total Plant capacity.

Additional capital improvements may be made to the Plant upon the determination by the System that excessive flows or loaned are impairing the efficient operation of the City's sewer system, improved processes are available, and that addition of improvements are necessary or desirable for the efficient operation of the System or to comply with applicable laws. In any such event, the System and DeKalb County have agreed to share the costs of such capital improvements generally upon the basis of relative sewerage flow contributed by the City and DeKalb County, respectively.

In 1997, DeKalb County was asked to share in the capital improvement costs made to the Clayton, Intrenchment Creek, and South River plants, with their share being based on their portion of the sewerage flow. In 1997, DeKalb County contributed \$96,500,000 toward those costs. In 1998, DeKalb County and the City signed a Consent Order to share in the total cost of the phosphorous reduction capital plan. In 1999, DeKalb County contributed \$49,000,000 in accordance with the Consent Order and, in the process, extended their lease and increased their capacity availability in relation to the plants.

DeKalb County, Fulton County, the City of Hapeville, the City of Forest Park, the City of East Point, and the City of College Park (collectively "the municipalities") share in the costs of the operation and maintenance of the plants based upon the ratio that the sewerage flows bears to the total flows to the plants. The municipalities share of the operating and maintenance costs for the plants for the years ended December 31, 2003 and 2002 were \$9,390,000 and \$9,743,000, respectively. These payments are treated as operating revenue of the System.

These municipalities have agreed to share in the capital improvement costs made to certain plants with their share being based upon the ratio that the sewerage flows bears to the total flows to the plants. The municipalities share of capital improvement costs for the plants for the years ended December 31, 2003 and 2002 were \$83,630,000 and \$0, respectively. These payments are treated as non-operating revenue and are included in capital contributions. The amounts receivable from these municipalities is included in the amount due from other governmental units in the accompanying financial statements.

Notes to Financial Statements - Continued

J. Leases, continued

The System has entered into several lease agreements as lessee for power generators. This lease agreement qualifies as a capital lease for accounting purposes and the lease payments are reflected as a capital lease for accounting purposes and the lease payments are reflected as a capital lease obligation at the present value of the aggregate payments due over the remaining life of the lease. Included in machinery and equipment is approximately \$28,591,000 of equipment acquired under capital lease. The accumulated amortization on this equipment is \$13,304,000 and \$10,451,000 as of December 31, 2003 and 2002, respectively, and is recorded as a component of depreciation expense. Amortization expense was \$2,852,000 and \$2,859,000 for the years ended December 31, 2003 and 2002, respectively.

The present value of future minimum capital lease payments as of December 31, 2003 are as follows (dollars in thousands):

2004	\$2,977
2005	2,977
2006	2,977
2007	2,977
2008	2,977
2009 thru 2013	<u>17,521</u>
 Total minimum payments	 32,406
 Less amounts representing interest	 <u>(8,462)</u>
 Present Value of Minimum Capital Lease Payments	 <u>\$23,944</u>

Sanitation Fund

For its Sanitation Fund, the City has entered into a lease agreement as lessee for refuse collection vehicles. This lease agreement qualifies as an operating lease for accounting purposes.

The future minimum lease payments are as follows (in thousands):

2004	\$1,200
2005	1,200
2006	1,200
2007	1,200
2008	<u>400</u>
 Total minimum payments	 <u>\$5,200</u>

Notes to Financial Statements - Continued

Leases, continued

General Fund

For its General Fund, the City has entered into several lease agreements for operating purposes. These lease agreements qualify as an operating lease for accounting purposes.

The future minimum lease payments are as follows (in thousands):

2004	\$2,253
2005	2,074
2006	2,074
2007	2,074
2008	<u>86</u>
Total minimum payments	<u>\$8,561</u>

Notes to Financial Statements - Continued

K. Long Term Obligations

Changes in long-term debt during the year ended December 31, 2003 follows:

	Balance at December 31, 2002	Additions	Reductions	Balance at December 31, 2003	<u>Due within One Year</u>
Governmental activities:					
Long-term debt					
General obligation and annual bonds	\$ 238,510	\$ 8,000	\$ (7,150)	\$ 239,360	4,495
SWMA revenue refunding bonds	25,710		(855)	24,855	890
Limited obligation bonds	91,500			91,500	565
Section 108 loans	14,660		(1,695)	12,965	1,715
Certificates of participation					
1990 GMA lease pool	597		(597)	-	-
1998 GMA lease pool	18,476	4,001	(6,650)	15,827	7,038
2002 COPS	53,785	-	(1,225)	52,560	1,280
Citywide radio system	5,065		(5,065)	-	-
Installment sale program	87,610	-	(4,330)	83,280	4,500
Total long-term debt	<u>535,913</u>	<u>12,001</u>	<u>(27,567)</u>	<u>520,347</u>	<u>20,483</u>
Other long-term liabilities					
Vacation pay	17,914	18,554	(17,364)	19,104	1,513
Compensatory pay	2,634	2,120	(2,909)	1,845	126
General claims payable	17,253	-	(1,398)	15,855	
Arbitrage rebate	75	-	-	75	
Workers' compensation	24,617	2,419	(7,844)	19,192	6,200
Total other long-term liabilities	<u>62,493</u>	<u>23,093</u>	<u>(29,515)</u>	<u>56,071</u>	<u>7,839</u>
Total long-term liabilities	<u>\$ 598,406</u>	<u>\$ 35,094</u>	<u>\$ (57,082)</u>	<u>\$ 576,418</u>	<u>\$ 28,322</u>

.Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

Business-type activities

Long-term debt

Department of Aviation:

Facilities Revenue Bonds	\$ 1,422,824	\$ 694,495	\$ (674,335)	\$ 1,442,984	\$ 45,057
Bond anticipation notes	299,350	395,000	(299,350)	395,000	395,000
Less deferred amounts:					
Issuance discount and refunding losses	(39,901)	(103,480)	26,705	(116,676)	-

Water & Wastewater:

System Revenue Bonds	1,716,725	4,645	(3,260)	1,718,110	9,440
Less deferred amounts:					
Issuance discount and refunding losses	(42,759)	-	1,215	(41,544)	
Capital lease obligation	25,579	-	(1,635)	23,944	1,647

Nonmajor funds:

Revenue Bonds

(Underground Atlanta)	<u>71,625</u>	<u>-</u>	<u>(2,435)</u>	<u>69,190</u>	<u>3,860</u>
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Total long-term debt	<u>3,458,518</u>	<u>990,660</u>	<u>(958,170)</u>	<u>3,491,008</u>	<u>455,004</u>
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Other long-term liabilities

Arbitrage rebate	13,473	2,058	-	15,531	
Landfill Postclosure Liability	52,152	397	(331)	52,218	
Workers' compensation	<u>10,863</u>	<u>4,368</u>	<u>(3,344)</u>	<u>11,887</u>	
Total other long-term liabilities	<u>76,488</u>	<u>6,823</u>	<u>(3,675)</u>	<u>79,636</u>	

Total long-term liabilities	<u>\$ 3,535,006</u>	<u>\$ 997,483</u>	<u>\$ (961,845)</u>	<u>\$ 3,570,644</u>	<u>\$ 455,004</u>
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Governmental-type Activities

General Obligation Bonds are direct general obligations secured by the full faith and credit of the City. Principal and interest are payable through the general and debt service funds from an ad valorem tax levied on all taxable property within the City.

In December 2003, the City issued \$8,000,000 of Various Purpose General Obligation Bonds, Series 2003, to finance the various costs of acquiring, constructing, renovating, equipping, adding to, and improving both municipal facilities and school facilities as allowed in the special provision of the Constitution of the State of Georgia.

In December 2002, the City issued Certificates of Participation in the amount of \$55,195,000 through the Georgia Municipal Association Inc. Installment Sale Program. The proceeds from the sale of the Certificates are to be used to finance the acquisition, construction and equipping of a new City Court of Atlanta facility for the City of Atlanta, Georgia, pay the premium for a surety bond relating to a debt service reserve fund for the Certificates and pay certain costs incurred in connection with the execution of delivery of the Certificates.

The City participates a lease pool arrangement with 29 other local governments through the Georgia Municipal Association, Inc. (GMA). GMA issued \$127,635,000 Certificates of

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

Participation (COPs) Series 1998 of which the City's share is \$25,090,000 and is governed by a master lease agreement. The purpose of the COPs is to fund the purchase of eligible capital assets that are leased back to each of the participating governments. The City's interest in this arrangement functions similar to a line of credit whereby eligible capital assets may be purchased up to the City's share. The lease of eligible capital assets decreases the City's net available credit and repayments of principal increase the City's net available credit. Leases are due generally between three and five years from the date the equipment is purchased. The agreement terminates upon the financial due date of the COPs in June 2020. Interest is due monthly on the outstanding principal balance at a rate of 5%. In addition, the City is obligated to pay an annual service fee of 1% on the outstanding principal balance.

In December 2001, the City issued \$61,220,000 of General Obligation Public Improvement Bonds (Quality of Life), Series 2001B, to finance the various costs of acquiring, constructing, renovating, equipping, adding to, and improving public sidewalks, public plazas, and greenspace, as approved by City voter referendum.

During 2001, the City issued \$76,505,000 in limited obligation bonds for the Atlantic Station Tax Allocation District and \$14,995,000 in limited obligation bonds for Westside Tax Allocation District. Each issuance is a limited obligation of the City, not secured by the full faith and credit of the City, but rather are secured solely by, and payable solely from, the Pledged Revenues. The Pledged Revenues are defined as the tax allocation increments, the amount of property taxes generated within the district area which exceed the amount collected from the same area prior to development, from the City, Fulton County, and the Atlanta Board of Education. Additionally, the Atlantic Station Bonds are secured by the tax increments of sales taxes collected by the City and Fulton County within the developed area until 2009. The property tax increments are pledged until the payment in full of the bonds. The proceeds of the limited obligation bonds and the accumulation of tax increments for debt service are accounted for in newly created Special Revenue Funds.

Arbitrate Rebate

The arbitrage rebate liability, on all City issued obligations, is treated as a claim or judgment upon occurrence. Certain City long-term debt obligations are subject to Section 148 of the Internal Revenue Code which requires that interest earned on proceeds from tax-exempt debt be rebated to the Federal government to the extent that those earnings exceed the interest cost on the related tax-exempt debt. The City has calculated the arbitrage rebate liability to be \$75,000 and \$15,531,000 at December 31, 2003 on governmental long-term debt and business type activities long-term debt, respectively.

Business-type Activities

Revenue bonds are payable solely from revenues generated by enterprise fund activities. The various revenue bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of a flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. As of December 31, 2003, the City believes it was in compliance with all such significant financial limitations and restrictions.

Department of Aviation

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

The 2003 Series Bond Anticipation Notes (BAN's) were scheduled to mature on October 16, 2004, and bear interest at an annual stated rate of 1.10%. Subsequent to year end on June 10, 2004, the City closed on the sale of various series airport revenue bonds, the proceeds of which were used, in part, to refinance the BAN's on a long-term basis.

In prior years and in 2003, the City defeased certain outstanding Department bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the Department's financial statements. At December 31, 2003, the outstanding amount of bonds considered defeased in 2003 and prior years is approximately \$623,560,000.

In June 2003, the City issued Airport General Revenue Refunding Bonds (Series 2003RF-A) and Variable Rate Airport General Revenue Refunding Bonds (Series 2003RF-B-1, RF-B-2, RF-B-3, RF-C-1, RF-C-2 and RF-C-3) in the amounts of \$86,055,000 and \$490,170,000 respectively. The proceeds from the Series 2003RF Bonds were used to refund all or portions of the then outstanding Series 1994A Bonds (\$39,330,000), Series 1996 Bonds (\$31,890,000), and Series 2000A Bonds

(\$423,615,000) in order to reduce its total debt service payments by approximately \$80.2 million over the next 27 years and to obtain an economic gain (net present value savings) of \$59.6 million. The Series 2003RF-A Bonds mature serially through January 2014 and bear fixed interest rates ranging from 2.0% to 5.0%. The Series 2003RF-B-1, RF-B-2, RF-B-3, RF-C-1, RF-C-2 and RF-C-3 Variable Rate Bonds were issued as modal variable interest-rate Bonds, initially issued in the Weekly Rate Mode. As such, while in the weekly rate mode, the variable rate bonds bear interest at amounts determined by the remarketing agent on a weekly basis. To fund the purchase of the modal bonds, the City entered into six standby bond purchase agreements with various liquidity providers with scheduled expirations through June 25, 2006 for the 2003RF-C-3 Bonds and June 25, 2008 for all other series of the variable rate bonds. As of December 31, 2003, and as more fully described below, the variable rate bonds are assumed to bear interest at a rate synthetically fixed of 3.009% through an interest rate swap agreement.

In December 2003, the City issued Airport General Revenue Refunding Bonds, Series 2003RF-D in the amount of \$118,270,000. The 2003RF-D bonds were issued to refund the then outstanding Series 1994B Bonds (\$128,725,000) in order to reduce its total debt service payments by approximately \$18.8 million over the next 15 years and to obtain an economic gain (net present value savings) of \$11.8 million.

Interest Rate Swap Agreements - Aviation

The Department is a party to interest rate swap agreements that are not recorded in the financial statements. Following are disclosure of key aspects of the agreements.

Objective of the interest rate swaps – On June 17, 2003, the Department entered into interest rate swaps with Goldman Sachs Mitsui Marine Derivative Products, L.P., and JP Morgan Chase Bank (Counterparties) in connection with its Variable Rate Airport General Revenue Refunding Bonds (Series 2003RF-B-1, RF-B-2, RF-B-3, RF-C-1, RF-C-2 and RF-C-3). The objective was to lower borrowing costs by synthetically fixing interest rates on the subject bonds.

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

Term – The swaps, with a notional amount of \$490 million, became effective on June 26, 2003. The notional amount decreases over time, matching the outstanding balance of the variable rate debt. The first notional decrease for both is January 1, 2016, with the final maturity of January 1, 2030. Under the terms of the swap agreements, the Department will pay the Counterparties a fixed annual interest rate of 3.009%. The Department will receive from the Counterparties a variable payment based on the BMA Index for the first year of the swap and thereafter based on a percentage equal to 67.5% of the monthly LIBOR-BBA (U.S.Dollars). The Department will also pay the interest rate resulting from the periodic remarketing of the 2003 variable rate bonds.

As of December 31, 2003, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swaps		
- Fixed payment to counterparty	Fixed	3.009%
- Variable payment from counterparty	BMA	<u>1.140%</u>
Net interest rate swap payments		1.869%
Variable rate bond coupon payments	Weekly	<u>1.21%</u>
Synthetic interest rate on bonds		<u><u>3.079%</u></u>

Fair Value – As of December 31, 2003, the fair value of the swaps was \$26.6 million, using the par value method, indicating the amount that the counterparties would be required to pay the City to terminate the swap agreements.

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

Swap payments and associated debt – As of December 31, 2003, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows (in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

Years Ending	Variable Rate Bonds		Interest Rate	Total
	Principal	Interest	Swaps, Net	
2004	\$ -	\$ 5,931	\$ 9,161	\$ 15,092
2005	-	5,931	9,161	15,092
2006	-	5,931	9,161	15,092
2007	-	5,931	9,161	15,092
2008	-	5,931	9,161	15,092
2009-2013	-	29,655	45,806	75,461
2014-2018	22,170	28,996	44,788	95,954
2019-2023	117,015	25,354	39,162	181,531
2024-2028	242,500	12,621	19,495	274,616
2029-2030	108,485	667	1,030	110,182
Total	\$ 490,170	\$ 126,948	\$ 196,086	\$ 813,204

Credit Risk – As of December 31, 2003, the fair value of the swaps represents the Department’s credit exposure to the Counterparties. Should the Counterparties fail to perform in accordance with the terms of the swap agreements, the Department faces a maximum possible loss equivalent to the swaps’ \$60.2 million fair value.

As of December 31, 2003, the Counterparties were rated as follows by Moody’s and S&P:

	Moody's	S&P
Goldman Sachs Mitsui	Aa3	A+
JP Morgan Chase Bank	A1	A+

Basis Risk – As noted above, the swap exposes the Department to basis risk should the relationship between BMA and/or LIBOR and the variable rates converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates’ moving to convergence, the expected cost savings may not be realized.

Termination risk - The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an “additional termination event.” That is, the swap

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

may be terminated by the Department if the Counterparty's credit quality rating falls below "A-" as issued by Fitch Ratings or Standard & Poor's or "A3" as issued by Moody's Investors Service. The Department or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the Department would be liable to the Counterparty for a payment equal to the swap's fair value.

Water and Wastewater System

In January 2002, the System issued Water and Wastewater Revenue Bonds Series 2001A, Series 2001B and Series 2001C in the amount of \$415,310,000, \$335,640,000 and \$105,705,000, respectively.

The proceeds of the 2001A Bonds will be used to finance a portion of the costs of a program of capital improvements to the System, to fund capitalized interest for the 2001A Bonds through May 1, 2003, to fund the Debt Service Reserve Account balance for the 2001A bonds and to pay the costs of issuance associated with the 2001A bonds.

The proceeds of the Series 2001B bonds were used to advance refund a portion of the System's previously issued Water and Wastewater Revenue Bonds Series 1999A and to pay the costs of issuance associated with the 2001B Bonds and are due November 1, 2038, subject to mandatory and optional redemption and mandatory and optional tender. Interest is payable on a monthly basis at the beginning of each month beginning with February 1, 2002 at a variable rate of interest as established on a weekly basis by the remarketing agent. The weekly interest rate determined by the remarketing agent is the minimum rate of interest that would result in the sale of the 2001B Bonds at a price equal to 100% of the principal amount. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at par by adjusting the interest rate.

Under the standby bond purchase agreement issued by the bank, the fiscal agent can draw amounts sufficient to repurchase the bonds if they cannot be resold by the remarketing agent. The agreement expires the later of May 1, 2009 or the last day of any extension as stipulated in the agreement. The City pays a commitment fee of .175% per annum on the average daily amount of the available commitment. In the event the City is required to purchase bonds under the standby bond purchase agreement, the amounts would be payable in 14 equal semi annual installments commencing 180 days after the end of the purchase period. There were no amounts outstanding at December 31, 2003 under the standby bond purchase agreement.

The proceeds of the Series 2001C Bonds will be used to finance a portion of the costs of a program of capital improvements to the System, to fund capitalized interest for the 2001C Bonds through May 1, 2003 to fund the Debt Service Reserve Account Balance for the 2001C Bonds and to pay the costs of issuance associated with the 2001C Bonds and are due November 1, 2041. Interest is payable on a monthly basis at the beginning of each month beginning with February 1, 2002 at a variable rate of interest as established on a daily basis by the remarketing agent. The daily interest

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

rate determined by the remarketing agent is the minimum rate of interest that would result in the sale of the 2001B Bonds at a price equal to 100% of the principal amount.

Revenue of the System are pledged as security for payments on the Bonds.

In January 2002, the System also issued Water and Wastewater Revenue Bonds Series 2001C Auction Rate Certificate in the amount of \$105,600,000. The proceeds of the Series 2001C ARC's will be used to finance a portion of the costs of a program of capital improvements to the System, to fund capitalized interest for the 2001C ARC's through May 1, 2003, to fund the Debt Service Reserve Account Balance for the 2001C ARC's and to pay the costs of issuance associated with the 2001C ARC's. Revenue of the System are pledged as security for payments on the Bonds.

Swap Option and Interest Rate Swap Agreements – Water and Wastewater System

In March 2001, the System entered into an interest rate swap option agreement with a financial institution in which it agreed to convert, at the financial institution's request, \$145,000,000 of the System's Water and Wastewater Revenue Bonds, Series 1999, from 5% fixed rate bonds to floating rate bonds in which the interest rate is based on the Municipal Swap Index. The swap will become effective on May 1, 2005 and will mature on November 1, 2038. The bonds would not be refunded, rather the financial institution would continue to pay the fixed rate to bonds holders and the System would pay the variable rate to the financial institution. The option for conversion begins in 2005 and until then the System will continue to service the debt at the fixed rate. For entering into this agreement the System received a nonrefundable \$2,700,000 commitment fee which has been deferred and is being amortized over the life of the agreement. As of December 31, 2003, the fair value of this swap was \$3,942,864, based on quoted market prices. The positive fair value is a result of changes in interest rates and represents the amount the System would have to pay to terminate the swap agreement at December 31, 2003.

Also in March 2001 the System entered into a similar interest rate swap option agreement with the same financial institution in which it agreed to convert, at the financial institution's request, \$71,850,000 of the System's Water and Wastewater Revenue Bonds, Series 1999, from 5% fixed rate bonds to floating rate bonds in which the interest rate is based on the Municipal Swap Index. The swap will become effective on May 1, 2005 and will mature on November 1, 2038. The option for conversion begins in 2004 and the System received a nonrefundable \$4,800,000 commitment fee which has been deferred and is being amortized over the life of the agreement. As of December 31, 2003, the fair value of this swap was \$8,229,135 based on quoted market prices. The positive fair value is a result of changes in interest rates and represents the amount the System would have to pay to terminate the swap agreement at December 31, 2003.

These interest rate swap option agreements increase the interest rate risk of the System, however management believes it achieved an overall lower cost of capital by entering into these agreements, that it increases the diversity of the capital structure of the System, and better matches the asset to liability portfolio by matching variable rate obligations with the large amount of the System's short-term, variable rate assets.

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

In January 2002, the System entered into two interest rate swap agreements. These swap agreements are associated with the System's Water and Wastewater Revenue Bonds Series 2001B and 2001C with a notional amount of \$335,640,000 and \$105,705,000, respectively. The swap with the notional amount of \$335,640,000 became effective on January 3, 2002 and will mature on November 1, 2038, and the swap with the notional amount of \$105,705,000 became effective on January 3, 2002 and will mature on November 1, 2041. In each of these agreements the System owes interest to the counterparty, calculated at an annual fixed rate of 4.09% on a notional amount equal to each Bond issue. The amortization terms of the agreement are consistent with the Series 2001B Bonds and Series 2001C Bonds. For the Series 2001C Bonds, the counterparty owes the System interest at a variable rate based on the municipal swap index. For the Series 2001B Bonds the counterparty owes the System interest at a variable rate based on either the municipal swap index (not to exceed the interest amount payable during the same period to the holders of the System's Series 2001B Bonds) or the London Interbank Offered Rate. The swap agreement for the Series 2001B Bonds allows the counterparty to terminate the agreement by providing 30 days written notice if the arithmetic mean of the Municipal Swap Index has exceeded 7% in the preceding 180 days. As of December 31, 2003, the fair values of the swaps with the notional amounts of \$335,640,000 and \$105,705,000 had fair values of \$40,444,595 and \$6,175,774, respectively, based on quoted market prices. The positive fair value is a result of changes in interest rates and represents the amount the System would have to pay to terminate the swap agreement at December 31, 2003.

As of December 31, 2003, the rates for the effective swaps were as follows:

	Terms	Rates
Interest rate swaps		
- Fixed payment to counterparty	Fixed	4.09%
- Variable payment from counterparty	BMA Municipal Swap Index	1.14%
Net interest rate swap payments		2.95%

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

As of December 31, 2003, debt service requirements of the variable-rate debt and net swap payments (assuming current interest rates) by year are as follows (in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

Year Ending	<i>Principal</i>	Variable Rate Bonds Interest	Interest Rate Swaps, Net	Total
2004	340	18,984	13,112	32,436
2005	355	18,967	13,112	32,434
2006	370	18,952	13,112	32,434
2007	385	18,936	13,112	32,433
2008	400	18,921	13,112	32,433
2009-2013	2,295	94,317	65,559	162,171
2014-2018	2,845	93,772	65,559	162,176
2019-2023	17,115	93,095	65,559	175,769
2024-2028	81,765	82,835	65,559	230,159
2029-2033	101,215	63,387	65,559	230,161
2034-3038	181,000	39,313	65,559	285,872
2039-2041	50,000	11,109	52,448	113,557
Total	438,085	572,588	511,362	1,552,035

Should the system terminate one or more of these agreements, the amount owed to the counterparty will change as interest rates change.

As noted above, these interest rate swaps expose the System to basis risk should the relationship between LIBOR and BMA converge, changing the synthetic rate on the bonds. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The System or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. If the swap is terminated, the variable-rate bond would no longer carry a synthetic interest rate. Also, if at the time of termination the swap has a negative fair value, the System would be liable to the counterparty for a payment equal to the swap's fair value.

If the counterparty to the swaps defaults, or if the swaps are terminated, the System and the City will be exposed to the rates established in each bond issue. A termination of any swap agreement may result of the System or the City making or receiving a termination payment. The counterparties to the interest rate swap agreements are a large international brokerage and insurance firm and accordingly, the System believes there is little risk of counterparty nonperformance. As of December 31, 2003, the Counterparty was rated Aa2 and AA+ by Moody's and S&P, respectively.

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

Sanitation Fund

State and federal laws and regulations require the City to place final covers on its four landfill sites when each site stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. The City has landfill sites at Cascade Road, Key Road, Gun Club Road, and East Confederate Road. All City landfills were certified by the State of Georgia as closed during 2000 and only postclosure care costs will be incurred in the future. Although postclosure care costs will be paid over the next 30 years, the City accrued a liability for those costs as the landfills were accepting waste. The \$51,887,000 reported as the landfill postclosure costs liability at December 31, 2003 represents the cumulative amount of postclosure costs expected to be incurred over the required 30 year monitoring period which began in 2000. These amounts are estimates calculated by the management of the City of what it would cost to perform all postclosure care. Actual costs may be higher than estimates due to inflation, changes in technology or regulations. Postclosure care costs will be funded by future sanitary charges of the Sanitation Fund or from future contributions from the General Fund if necessary.

The City has a letter of credit related to the City's tax allocation variable rate bonds issued for the Westside Project in 2001 amounting to \$15,220,000 at December 31, 2003. The City also has letters of credit securing the 2003 aviation bonds in the amount of \$82,650,000.

Notes to the Financial Statements - Continued

K. Long Term Obligations, continued

Debt Service Requirements

The following summarizes the debt service requirements of long-term debt at December 31, 2003 (excluding unamortized bond discount/premiums and deferred refunding amounts of \$116,678,000 for the Department of Aviation, \$41,543,000 for the Water and Wastewater System, \$2,540,000 (unaudited) for the Recreation Authority and \$325,000 for Underground Atlanta) (dollars in thousands on the following table).

Year Ended December 31,	Governmental Activities									
	General Obligations		SWMA Revenue Bonds		Annual Bonds		Certificates of Participation		Limited Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 3,735	\$ 9,757	\$ 890	\$ 1,254	\$ 760	\$ 2,035	\$ 14,533	\$ 4,981	\$ 565	\$ 6,749
2005	6,775	9,590	930	1,214	1,335	2,008	13,201	4,683	2,240	6,721
2006	8,580	9,282	975	1,172	1,635	1,953	10,382	4,372	2,405	6,572
2007	9,060	8,860	1,020	1,126	1,715	1,883	8,242	4,052	2,575	6,402
2008	9,410	8,413	1,070	1,077	1,780	1,808	7,985	3,736	2,760	6,220
2009-2013	44,320	35,179	6,210	4,524	10,855	7,693	42,370	13,539	17,075	27,864
2014-2018	51,350	23,839	7,940	2,796	11,455	5,035	33,075	5,998	24,305	20,750
2019-2023	62,975	9,327	5,820	622	11,590	2,235	24,080	2,523	32,430	10,413
2024-2027	-	-	-	-	2,030	154	10,765	565	7,145	564
	<u>\$ 196,205</u>	<u>\$ 114,247</u>	<u>\$ 24,855</u>	<u>\$ 13,785</u>	<u>\$ 43,155</u>	<u>\$ 24,804</u>	<u>\$ 164,633</u>	<u>\$ 44,449</u>	<u>\$ 91,500</u>	<u>\$ 92,255</u>

Year Ended December 31,	Business-Type Activities						Component Units			
	Aviation		Water & Sewer		Underground Atlanta		Recreation Authority (Unaudited)		Development Authority (Unaudited)	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 45,057	\$ 57,513	\$ 9,440	\$ 99,976	\$ 3,495	\$ 4,124	\$ 5,695	\$ 14,295	\$ -	\$ 101
2005	57,252	50,220	10,840	99,518	3,705	3,920	6,020	13,967	-	101
2006	40,480	45,110	16,176	99,442	3,930	3,697	6,375	13,618	-	101
2007	43,582	42,387	16,896	98,285	4,170	3,462	8,290	13,237	-	101
2008	46,583	41,490	17,712	97,863	4,430	3,207	-	-	25	101
2009-2013	213,175	165,978	112,952	472,422	26,635	11,551	31,550	60,698	234	485
2014-2018	224,595	165,848	146,970	437,998	22,825	2,594	42,390	49,856	273	447
2019-2023	283,995	115,312	201,573	393,109	-	-	53,885	34,844	317	402
2024-2028	335,055	54,946	214,405	328,124	-	-	62,435	16,247	369	350
2029-2034	153,210	2,951	246,235	241,852	-	-	11,342	781	430	289
2034-2038	-	-	508,540	133,803	-	-	-	-	500	219
2039-2043	-	-	216,370	24,048	-	-	-	-	583	137
2044-2048	-	-	-	-	-	-	-	-	594	42
	<u>\$ 1,442,984</u>	<u>\$ 741,755</u>	<u>\$ 1,718,109</u>	<u>\$ 2,526,440</u>	<u>\$ 69,190</u>	<u>\$ 32,555</u>	<u>\$ 227,982</u>	<u>\$ 217,544</u>	<u>\$ 3,325</u>	<u>\$ 2,876</u>

Defeased Debt

The City has defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and, therefore, removed as a liability from the City's government-wide and proprietary fund financial statements. At December 31, 2003, the City has \$125,710,000 in defeased Various Purpose General Obligation Bonds, \$680,025,000 in defeased Airport Extension and Improvement Bonds, and \$780,895,000 in defeased Water and Wastewater Revenue Bonds.

Notes to the Financial Statements - Continued

Other Information

L. Pension Plans and Other Employee Benefits

Pension Plans

The City maintains one agent multiple-employer defined benefit pension plan, entitled the General Employees' Pension Plan, two single-employer defined benefit pension plans, entitled the Firefighters' Pension Plan and the Police Officers' Pension Plan, and one single-employer defined contribution pension plan, entitled the General Employees' Defined Contribution Plan. The funding methods and determination of benefits payable were established by the legislative acts creating such plans, as amended, and in general, provide that the pension funds are to be accumulated from employee contributions, City contributions, and income from the investment of accumulated funds. The plans are administered by separate boards of trustees which include an appointee of the Mayor, the Chief Financial Officer, a member of City Council, and members elected from active and retired employees.

Prior to July 1, 2001, all permanent employees of the City, excluding sworn personnel of the Police and Fire Departments and including employees of the Board of Education who are not covered under the Teachers Retirement System of Georgia, were eligible to participate in the General Employees' Pension Plan. In addition, certain Atlanta Board of Education (the "Board") employees, employed prior to July 1, 1979, also participate in the City's General Employees' Pension Plan (the "Plan"). The City has no obligation to pay any costs related to retirement benefits of employees of the Board. The financial information herein relates only to City obligations for City employees.

Effective July 1, 2001, all new, permanent employees of the City, excluding sworn personnel of the Police and Fire Departments, are only eligible to participate in the newly created Defined Contribution Plan. During 2002 persons employed prior to July 1, 2001 were given the option of transferring to the New Defined Contribution Plan. As of December 31, 2002, employees previously participating in the General Employees' Defined Benefit Plan did not have the option of transferring the new Defined Contribution Plan. Sworn personnel of the Police and Fire Departments are eligible to participate in the Police Officers' and Firefighters' plans, respectively.

Complete financial statements for all Plans, except the newly created General Employees' Defined Contribution Plan, can be obtained at the following address:

City of Atlanta
68 Mitchell Street, S.W.
Suite 1600
Atlanta, Georgia 30335

Separate financial statements have not been prepared for the General Employees' Defined Contribution Plan.

Defined Benefit Plans

The City's defined benefit plans provide retirement benefits based on the average of the highest 36 months earnings based on the following percentages:

- General employees - 2% for each year of service.
- Firefighters – 2% for each year of service prior to March 31, 2001 plus 3% for each year of service subsequent to March 31, 2001.
- Police Officers – 3% for each year of service to a maximum of 26.67 years.

Notes to the Financial Statements - Continued

L. Pension Plans and Other Employee Benefits, continued

Normal retirement, after 15 years of service, is available at age 60 for City employees and at age 55 for Police and Fire employees. Cost-of-living increases are awarded annually, up to a 3% maximum increase. Partial vesting percentages based on years of creditable service and provisions for early retirement are included in the plans. Benefits also may be payable at termination, death, or disability.

All modifications to the pension plans must be supported by actuarial analysis and receive the recommendations of the City Attorney, the Chief Financial Officer, and the boards of trustees of each plan. Each pension law modification must be adopted by at least two-thirds vote of City Council and approved by the Mayor.

In addition, the City has been given special constitutional authority by the State to supplement benefits for retired employees as long as such adjustments are funded by the City.

The City's practice is to have actuarial valuations of its defined benefit pension plans performed every two years by an enrolled actuary. The membership at the latest actuarial valuation date of January 1, 2003, in the three defined benefit plans and related current year payrolls are as follows (dollars in thousands):

	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,058	740	970	4,768
Current active employees:				
Fully vested	1,383	458	496	2,337
Partially vested	1,516	246	631	2,393
Nonvested	<u>1,208</u>	<u>149</u>	<u>396</u>	<u>1,753</u>
Total Membership	<u><u>7,165</u></u>	<u><u>1,593</u></u>	<u><u>2,493</u></u>	<u><u>11,251</u></u>

The payroll and covered payroll for the year ended December 31, 2003 are as follows:

Total current year payroll	<u>\$156,382</u>	<u>\$43,614</u>	<u>\$ 72,790</u>	<u>\$272,786</u>
Total current year covered payroll	<u>\$145,238</u>	<u>\$38,826</u>	<u>\$ 65,722</u>	<u>\$249,786</u>

Notes to the Financial Statements - Continued

L. Pension Plans And Other Employee Benefits, continued

Funding Policy

The City's funding policy for its defined benefit plans is to contribute a percentage of each plan's covered employee payroll as developed in the actuarial valuation for the individual plan. Active participants are required to contribute 7% of base pay (or 8% if participant has a covered beneficiary). The City's contribution percentage is the actuarially determined amount necessary to fund plan benefits after consideration of employee contributions. The City makes an additional contribution of 1% of payroll, which effectively decreases the employees' required contribution percentage to 6% (or 7% if participant has a covered beneficiary), but has no effect on the overall required contribution. The City is not obligated to continue the 1% supplemental contribution for any specified period of time.

The actuarially determined annual required contribution amount is the sum of the annual normal cost (determined under the entry age normal actuarial cost method) and the amortization of the unfunded actuarial accrued liability as a level percentage of future payrolls (over 40 years from January 1, 1979). The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the actuarial accrued liability. The required contribution percentages, developed in the most recent actuarial valuations for the plans, to cover pension liabilities and the actual 2003 contribution amounts are (dollars in thousands):

	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>
Normal cost	12.16%	29.18%	30.87%
Amortization of the unfunded actuarial accrued liability	<u>18.02</u>	<u>19.36</u>	<u>18.46</u>
Total required contributions as a percentage of payroll	<u>30.18%</u>	<u>48.54%</u>	<u>49.33%</u>
2003 actual employee contributions:			
Dollar amount	\$10,534	\$2,685	\$ 4,651
Percent of covered payroll	7.3%	6.9%	7.1%
2003 actual City contributions:			
Dollar amount	\$29,649	\$9,417	\$15,907
Percent of covered payroll	20.4%	24.3%	24.2%

With respect to the General Employees' Pension Plan, which is a multiple-employer plan, the City's actuarially determined contribution required above is only that of the City's portion.

The actual City contributions shown above include amounts used to fund retiree supplemental cost of living increases and other minimum benefits. These amounts are components of the City's contributions for purposes of meeting its actuarially determined funding requirements.

Notes to the Financial Statements - Continued

L. Pension Plans And Other Employee Benefits, continued

Annual Pension Cost and Net Pension Obligation: The City's annual pension cost and net pension obligation for the current year and each of the two preceding years were as follows (dollars in thousands).

<u>Year</u>	<u>Annual Pension Cost</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
General Employees:			
2001	\$31,107	72.2	\$8,647
2002	30,910	100	-
2003	30,615	100	-
Firefighters:			
2001	9,438	100	-
2002	12,248	100	-
2003	9,681	100	-
Police Officers:			
2001	14,200	100	-
2002	20,148	100	-
2003	15,062	100	-

The City uses the results of its biennial actuarial valuations of its pension plans to determine the two succeeding years' contributions requirements. The actuarial cost method used for funding purposes and to calculate the actuarial accrued liability is the Entry Age Normal Cost Method. This method is one of the approved methods for such plans in Georgia, and provides for contributions estimated to be a level percentage of future payroll. The unfunded actuarial accrued liability for funding purposes is amortized over a closed period of 40 years from January 1, 1979 as a level percentage of estimated future payroll, in accordance with State of Georgia guidelines. The net pension obligation could not be distributed to the various proprietary funds and is thus all recorded as long-term debt in the government-wide financial statements. Other actuarial assumptions used to perform the most recent (January 1, 2002) calculations for funding purposes are:

Rate of return on investments	8% per year
Projected salary increases for:	
Inflation	5 % per year
Merit or seniority and productivity	.7-5.5% per year
Postretirement benefit increases	3% per year

Notes to the Financial Statements - Continued

L. Pension Plans And Other Employee Benefits, continued

The following schedule (derived from the most recent actuarial valuation reports) reflects accounting policies, liabilities, and funding provisions for the City's three plans as of December 31, 2003:

	<u>General Employees</u>	<u>Firefighters</u>	<u>Officers</u>
Basis of accounting	Accrual	Accrual	Accrual
Asset Valuation: Reporting Actuarial valuation	Fair Value Fair Value	Fair Value Smoothed 5 Year Average	Fair Value Smoothed 5 Year Average
Internal Loans	None	None	None
Nongovernment individual Investment In excess of 5% of net assets	None	None	None

Defined Contribution Plan

The City's General Employees' Defined Contribution Plan provides funds at retirement for employees of the City and in the event of death, to provide funds for their beneficiaries, through an arrangement by which contributions are made to the Plan by employees and the City. The current mandatory contribution requirement of the City is 6% of employee payroll. Employees also make a pretax contribution of 6% plus have the option to contribute amounts up to the amount legally limited for retirement contributions. All modifications to the Plan, including contribution requirements, must receive the recommendations of the City Attorney, the Chief Financial Officer, and the board of trustees of the plan. Each pension law modification must be adopted by at least two-thirds vote of the City Council and approved by the Mayor.

All new employees, hired after July 1, 2001, who previously would have been enrolled in the General Employees' Defined Benefit Plan, were enrolled in the General Employees' Defined Contribution Plan. During 2002, persons employed prior to July 1, 2001 were given the option to transfer to the Defined Contribution Plan. As of December 31, 2003 there were 1,111 participants in the Defined Contribution Plan.

Employee contributions for the year ended December 31, 2003 were \$4,178,180 and employer contributions were \$3,597,333 (inclusive of amounts transferred in from General Employees' Defined Benefit Plan).

The Defined Contribution Plan uses the accrual basis of accounting. Investments are reported at fair value, based on quoted market prices and there were no nongovernmental individual investments that exceeded 5% of the net assets of the Plan.

Notes to the Financial Statements - Continued

L. Pension Plans And Other Employee Benefits, continued

Postretirement Benefits

In accordance with a City ordinance, the City provides certain health/dental care for retired employees, their dependents, and their beneficiaries. The City also provides life insurance for retired employees and their dependents. These benefits are funded on a pay-as-you-go basis. Substantially all employees may become eligible for these benefits if they reach retirement age, as defined, or are totally disabled while working for the City. Currently, 3,894 retirees meet the eligibility requirements. The City contributes 75% of the premium cost for the least expensive health care provider coverage and contributes \$4.10 per thousand of the premium cost for a retiree's life insurance coverage in amounts ranging from \$1,000 to \$10,000. The City does not contribute to the cost of dependent life insurance. The cost of retiree health/dental care and life insurance benefits is recognized as premiums are paid to the private insurers and such costs totaled \$17,543,773 in 2003.

Deferred Compensation Plan

The City has adopted a deferred compensation plan in accordance with the 1997 revisions of Section 457 of the Internal Revenue Code. The plan, available to all City employees, allows an employee to voluntarily defer up to 25% of his/her gross compensation, not to exceed certain limits per year. Each participant selects one of three providers to administer the investment of the deferred funds. Administrative costs of the plan are deducted from the participants' accounts. The plan assets are held in custodial accounts for the exclusive benefit of the plan participants and their beneficiaries, and are therefore not included in the City's financial statements.

M. Risk Management

Self-insurance

The City is self-insured for workers' compensation and general claims liabilities. The City pays for such claims as they become due. These claims liabilities are accounted for in the General Fund and the applicable Enterprise Funds. Claims generated by a governmental fund expected to be paid subsequent to one year are recorded only in the government-wide financial statements. The City's workers' compensation liability is calculated by an outside actuary. Liabilities are reported when it is probable a loss has occurred and the amount can be reasonably estimated including amounts for claims incurred but not yet reported.

Notes to the Financial Statements - Continued

M. Risk Management, continued

Workers' Compensation

The calculation of the present value of future workers' compensation liabilities is based on a discount rate of 5.5% and 6% for 2002 and 2001, respectively. Changes in the balances of claims liabilities for workers' compensation and general claims liabilities during 2001 and 2002 were as follows (in thousands):

	<u>Beginning of year</u>	<u>Current year claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of year</u>
Workers' compensation:				
2002	\$33,193	\$10,455	\$(8,207)	\$35,193
2003	\$35,193	\$ 2,002	\$(6,116)	\$31,079
General claims liability:				
2002	\$21,825	\$ 1,792	\$(20,626)	\$ 2,991
2003	\$ 2,991	\$ 9,015	\$(1,398)	\$10,608

The City participates in the State Subsequent Injury Trust Fund, a public entity managed by the State of Georgia. The pool is designed to provide the insurance coverage for employees who are hired with previous medical conditions. Historically, premiums have not been significant.

N. Commitments and Contingencies

Litigation

The City is subject to various suits and proceedings arising in the ordinary conduct of its affairs and has been named as defendant in several lawsuits. The City has accrued amounts related to litigation where an outcome unfavorable to the City is probable and the amount can be reasonably estimated. The City has been named as defendant in several other suits and actions claiming personal and property damages. In the opinion of the City Attorney, all suits and actions now pending, or likely to be filed, will be resolved without a material effect on the financial position of the City.

Grants from Governments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such 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 which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Notes to Financial Statements - Continued

N. Commitments and Contingencies, continued

Construction Commitments

At December 31, 2003, the total estimated costs to complete construction projects are \$491,117,000 and \$248,880,000 the Department of Aviation and Water and Wastewater System, respectively

Outsourcing of Water Management

On January 1, 1999, United Water Services Unlimited Atlanta LLC ("United Water") began operating and maintaining the City's drinking water system, pursuant to the terms of an operations and management agreement dated December 24, 1998 (the "Agreement"). United Water operated and maintained the City's two wholly owned water treatment plants and the associated storage facilities, pumping stations, and water distribution mains. United Water managed billing, collections, and customer service functions for the water and sewerage system. Under this 20-year agreement, the City was to pay United Water annual payments, which increased annually based on 90% of the Atlanta Consumer Price Index escalation.

In January 2003, the City and United Water reached an agreement to mutually dissolve the operating and management agreement and transfer the operation and maintenance of the System and certain employees of United Water to the City. The dissolution agreement specified that the Agreement would end on April 28, 2003. Beginning April 29, 2003, the City became responsible for operating and maintaining the System. The City received a \$6 million payment for settlement of all outstanding claims against United Water and that the City would paid United Water a complete settlement of all claims not to exceed \$1 million.

For the period January 2, 2003 through and including March 31, 2003, the City paid United Water a monthly operation and management fee in the amount of \$1,975,878 per month and for the period April 1, 2003 through April 28, 2003, \$2,353,255 in accordance with the terms of an operations and management agreement dated December 24, 1998 (the Agreement).

Consent Decrees for Wastewater System

The System is subject to two related consent decrees the City entered into to resolve alleged violations of the Federal Clean Water Act and the Georgia Water Quality Control Act. On October 10, 1995, the Upper Chattahoochee Riverkeeper Fund, Inc. (*Riverkeeper*), brought suit against the City of Atlanta pursuant to the citizen suit provision of the Clean Water Act seeking injunctive relief and the assessment of civil penalties. Subsequently, the United States of America, acting at the request and on behalf of the EPA, and the State of Georgia, at the request of the Georgia Environmental Protection Division (EPD), also filed a complaint against the City alleging violations of the Clean Water Act and seeking similar relief. The actions were consolidated.

Notes to Financial Statements - Continued

N. Commitments and Contingencies, continued

Consent Decrees for Wastewater System (continued)

The plaintiffs alleged that the City violated the terms of its permits that authorize discharge of Wastewater from the City's Combined Sewer Overflow (CSO) Control Facilities and its Wastewater Treatment Facilities. In 1998, the plaintiffs and the City agreed to the entry of a consent decree relating to the CSO Control Facilities. On December 20, 1999, the First Amended Consent Decree was entered by the United States District Court for the Northern District of Georgia. The United States, the State of Georgia, and the City of Atlanta are the parties to the First Amended Consent Decree (FACD). Because claims brought by *Riverkeeper* were resolved under the CSO Consent Decree, *Riverkeeper* is not a party to the First Amended Consent Decree.

First Amended Consent Decree

The First Amended Consent Decree resolved allegations regarding the City's wastewater treatment facilities, inter-jurisdictional requirements, and the City's sewerage collection and transmission system. For the wastewater treatment facilities, the FACD requires the City to: continue its ongoing wastewater treatment facilities Capital Improvement Program for completion of upgrades at the R.M. Clayton, Utoy Creek, Intrenchment Creek, and South River Water Reclamation Centers (WRC); install and implement a maintenance management system, revise the current operations program, and implement upgrades to the current laboratory information system; and review its inter-jurisdictional agreements to address over-loading and pretreatment issues. For the collection and transmission system, the City is required to implement a remedial action plan to eliminate all sewer overflows. All capital improvements, upgrades, and repairs under the FACD must be completed by July 1, 2014, which includes many milestones along the way that must be completed on schedule. The upgrades to the WRCs, scheduled to be operational by December 31, 2001, were completed on schedule. The City failed to meet the February 28, 2003 deadline for the Indian Creek Trunk Relief Project. In response to a notice letter from the agencies regarding this missed deadline, the City submitted a report explaining its failure to meet the deadline and itemizing its efforts to correct operational deficiencies in the City processes. Although the FACD allows for fines up to \$1,000,000 for missed deadlines, the City has been assessed a penalty of \$100,000. The City continues to address operational and technical issues to improve efficiency and stay on track with the work required.

CSO Consent Decree

With respect to the October 10, 1995, action brought against the City by the *Riverkeeper*, the court dismissed allegations regarding the phosphorus reduction program and common law nuisance claims, but found that the City violated federal and State water pollution laws with regard to the City's operation of its Tanyard Creek, Proctor Creek/North Avenue, and Proctor Creek/Greensferry CSO treatment facilities. As mentioned, the City and the citizen plaintiffs settled the lawsuit in what is referred to as the CSO Consent Decree (EPA and the EPD also joined). The CSO Consent Decree requires the City to study the performance of the existing CSO treatment facilities, evaluate treatment alternatives that may be necessary for meeting State water quality standards, and improve the performance, maintenance, operation, and management of the existing treatment facilities. The City has completed its CSO Remedial Measures Report and has received EPA/EPD's authorization to proceed with partial sewer separation of 27% of the combined sewer service area and

Notes to Financial Statements - Continued

N. Commitments and Contingencies, continued

CSO Consent Decree (continued)

consolidated storage and treatment to meet water quality standards and to resolve the CSO problems.

In 2002, Mayor Shirley Franklin put in place a technical review panel, the Mayor's Clean Water Advisory Panel, to study the City's plans to address the CSO remedial plan and make recommendations. The panel was chaired by Dr. Wayne Clough, President of the Georgia Institute of Technology. In October 2002, the panel recommended a plan that consolidated the partial separation of 27% of the combined sewers over the entire six basins provided by the Authorized Plan into complete separation of the combined sewers in two basins and one sub-basin. The estimated capital cost of the authorized CSO plan has been reduced by approximately \$200 million from \$953 million to \$753 million as the result of the Clean Water Advisory Panel recommendations, value engineering and design refinements, and lower construction bids on the tunnel component of the plan. The City is currently executing its remedial plan with designs underway or completed on most components of the plan and construction of the tunnel component. Under the CSO Consent Decree the deadline for completion of any new or additional capital improvement is November 7, 2007.

The Franklin Administration is actively seeking federal and state grants and loans and other sources of funding to perform the Clean Water Atlanta work. Key elements of the comprehensive funding and financing plan include:

- 1% Municipal Options Sales Tax (MOST) - Over four years, would provide \$70 million per year. The Fulton County Board of Commissioners has four times rejected placement of a SPLOST to support Clean Water Atlanta on a referendum ballot, effectively foreclosing near-term availability of this alternative funding source. However, the State Legislature has passed, and Governor Sonny Perdue has signed, legislation authorizing a vote by the residents of Fulton County and the City of Atlanta for a County-wide 1% Special Purpose Local Option Sales Tax (SPLOST) or, if that fails, a vote by the residents of the City of Atlanta for a 1% Municipal Option Sales Tax (MOST). The Fulton County Commission has voted not to propose a SPLOST to the residents of Fulton County. However, the Atlanta City Council has approved placing a proposal for a 1% MOST to the City residents in the upcoming elections scheduled for July 20, 2004. The MOST, if approved, would be in place for a period of four years. Up to two extensions, at four years each, can be approved by a vote of City of Atlanta residents.
- Federal Appropriations – While some small Federal grants have been obtained (\$1.8 million for the City's Nancy Creek Project, through Title III of the VA-HUD) efforts to secure federal grants continue.
- State GEFA Loans – Governor Sonny Perdue recently proposed and the State passed legislation to provide up to \$50 million per year in low-interest GEFA loans to the City. The City is pursuing the maximum loan amount for each year of the Clean Water Atlanta Program.

In January 2004, the Atlanta City Council approved annual increases to the current water and wastewater rates to support revenue bond financing of the five-year portion (2004-2008) of the CWA Capital Improvement Program. The new graduated three-tiered rate structure, summarized below, is intended to minimize to the extent possible the impact of rate increases on ratepayers to

Notes to Financial Statements - Continued

N. Commitments and Contingencies, continued

CSO Consent Decree (continued)

maintain affordability and to promote water conservation. Nonetheless, the impacts will be significant over this five-year period. In addition to the rates shown below, each water and wastewater bill includes a \$.15 per 100 cubic feet (cf) security surcharge.

New Graduated Monthly Wastewater Rate Structure- January 2004						
Water Consumption	Existing	2004	2005	2006	2007	2008
0 - 3 ccf	\$4.45	\$4.90	\$5.39	\$5.93	\$6.52	\$7.04
4 - 6 ccf	\$4.45	\$5.61	\$7.01	\$8.20	\$9.10	\$9.83
Above 7 ccf	\$4.45	\$6.45	\$9.22	\$10.88	\$12.08	\$13.29

New Graduated Inside City Monthly Water Rate Structure- January 2004						
Water Consumption	Existing	2004	2005	2006	2007	2008
0 - 3 ccf	\$1.75	\$1.93	\$2.12	\$2.33	\$2.56	\$2.76
4 - 6 ccf	\$1.75	\$2.21	\$2.76	\$3.23	\$3.59	\$3.88
Above 7 ccf	\$1.75	\$2.54	\$3.63	\$4.28	\$4.75	\$5.23

The CSO Consent Decree requires the City to finance a \$27.5 million supplemental environmental project (“SEP”) which consists of two projects: (1) \$2.5 million for the Stream Cleanup Project for the removal of debris from urban streams below all of the CSO facilities and 2) \$25 million for the Greenway Acquisition Project for acquisition of Greenway properties adjacent to urban streams. Funding for the SEP may not include funds from private donations, state or federal loans, contracts, or grants. The CSO Consent Decree mandated that the cleanup be accomplished by October 1, 1999. The City completed the Stream Cleanup Project on August 27, 1999, at a cost of approximately \$5.7 million, ahead of the mandated deadline. The EPA/EPD granted approval of the completion of the Project on January 6, 2000.

Greenway Acquisition

The EPA and EPD authorized the final Greenway Acquisition Plan on April 27, 2001. The City is currently in the implementation phase of the Greenway Acquisition Project. The CSO Consent Decree requires the City to expend funds deposited in the Greenway Account for acquisition of streamside buffers measured 100 feet from top of bank, to be maintained in perpetuity in a natural undisturbed state. As of December 31, 2003, the City has acquired 401 acres of property and has spent \$2.5 million on development of the Greenway Plan and \$6.8 million to acquire buffers.

Notes to Financial Statements - Continued

N. Commitments and Contingencies, continued

CSO Consent Decree (continued)

The City must deposit \$25 million into a separate Greenway Account by March 31, 2006, based upon a schedule outlined in the Consent Decree. The City is current on its deposits to the fund (currently at \$16 million).

Consent Orders for Drinking Water System

The City of Atlanta is subject to two administrative Consent Orders issued by the Georgia Department of Natural Resources, Environmental Protection Division. They are dated December 9, 1997, and March 21, 2003. Those Orders require capital improvements at the Chattahoochee and Hemphill Treatment Plants, as well as operational improvements to ensure compliance with the Georgia Rules for Safe Drinking Water. While the City is in substantial compliance with the provisions of both Orders, certain aspects of the capital program remain to be completed.

Estimated Capital Costs to Complete Compliance with Decrees and Orders

The City is in the midst of a Capital Improvement Program mandated by court orders, regulatory and priority requirements. This Capital Improvement Program details all of the improvements needed through 2014 to meet the aforementioned objectives. A summary of the project types and related currently unfunded costs are as follows:

<u>Project Types</u>	<u>Total 2004-2014 CIP (In Millions)</u>
Wastewater Projects:	
CSO Consent Decree	\$ 522
First Amended Decree	1,525
Regulatory	85
 R & E Fund Projects	 62
Subtotal	<u>2,194</u>
 Water Projects:	
Consent Order	188
Non-Consent Order	576
Subtotal	<u>764</u>
 Grand total	 <u><u>\$2,958</u></u>

O. Subsequent Events

On April 29, 2004, the AEZC was dissolved.

On June 10, 2004, the City closed on the sale of City of Atlanta Airport General Revenue Bonds, Series 2004A (\$164,165,000) and 2004B (\$58,655,000), and the City of Atlanta Airport Passenger Facility Charge and Subordinate Lien General Revenue Bonds, Series 2004C (\$293,070,000), Series 2004D-1 (\$44,825,000), Series 2004D-2 (\$44,825,000), Series 2004E-1 (\$73,275,000) and Series 2004E-2 (\$73,275,000). The Series 2004D-1, 2004D-2, 2004E-1 and 2004E-2 bonds were issued as auction rate securities (variable rate bonds), while the remaining 2004 series bonds were issued as fixed rate bonds. The bonds were issued (i) currently refund the Series 2003 Notes (BAN's) in the outstanding principal amount of \$395,000,000; (ii) fund a portion of the Airport's Capital Improvement Plan; (iii) fund the separate Reserve Requirements for each of the Series 2004A/B General Revenue Bonds and Series 2004 PFC Bonds or pay the premium for an insurance policy to satisfy such requirements; (iv) fund a portion of the interest on the Series 2004 Bonds during construction; and (v) pay costs associated with the issuance of the bonds.

P. Correction of Prior Period Error

The Governmental Funds understated the value of net capital assets by \$146,153,000 at December 31, 2002. The accounts receivable in the general fund was overstated by \$24,277,000 and the liabilities in the general fund were overstated by \$7,208,000 at December 31, 2002. The account receivable in the aggregate other remaining funds were overstated by \$9,148,000 and the capital assets were overstated by \$1,645,000 at December 31, 2002. The net assets at the beginning of the year have been restated to properly record this activity, and the amount is reflected as a correction of prior period errors in the Statement of Revenue, Expense, and Changes in Net Assets.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ATLANTA, GEORGIA

Required Supplementary Information

Schedule of Funding Progress
(Amounts in thousands)

<u>Valuation Date</u>	<u>Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Percentage Funded</u>	<u>Unfunded Accrued Liabilities</u>	<u>Current Year Covered Payroll</u>	<u>Unfunded AAL as a Percentage of Covered Payroll</u>
General Employees:						
01/01/98	\$590,739	\$ 808,374	73.1	\$217,635	\$155,605	139.9%
01/01/00	\$703,381	\$ 920,409	76.4	\$217,028	\$177,754	122.1%
01/01/02	\$726,180	\$1,059,876	68.5	\$333,096	\$175,752	187.8%
Firefighters:						
01/01/98	\$223,575	\$297,349	75.2	\$73,774	\$34,679	212.7%
01/01/00	\$289,054	\$322,370	89.7	\$33,316	\$38,797	85.9%
01/01/02	\$326,620	\$370,291	88.2	\$43,671	\$39,447	110.7%
Police Officers:						
01/01/98	\$296,516	\$384,074	77.2	\$87,558	\$57,878	151.3%
01/01/00	\$384,083	\$419,439	91.6	\$35,356	\$67,330	52.5%
01/01/02	\$448,676	\$541,209	82.9	\$92,533	\$68,056	135.9%

The City uses the results of its biennial actuarial valuations of its pension plans to determine the two succeeding years' contributions requirements. The actuarial cost method used for funding purposes and to calculate the actuarial liability is the Entry Age Normal Cost Method. The unfunded actuarial accrued liability for funding purposes is amortized over a closed period of 40 years from January , 1979 as a level percentage of estimated future payroll. The actuarial value of assets is determined, for the General Employees' Pension Plan, using the market value, and for the Police Officers' and Firefighters' Pension Plans, using a smoothed five years averaged market value. Other actuarial assumptions used to perform the most recent calculations for funding purposes are:

Rate of return on investments	8%	per year
Projected salary increases for:		
Inflation	5%	per year
Merit or seniority and productivity	0.7-5.5%	per year
Postretirement benefit increases	3%	per year

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Nonmajor Governmental Funds

Special Revenue Funds

These funds account for activities carried out by the City under the terms of certain intergovernmental grants and/or laws. Certain funds other than Special Revenue Funds also reflect grant activity but to a lesser extent.

Community Development Fund - Established to account for the revenue and expenditures provided under the Title I of the Housing and Community Development Act of 1974 which provides for development of viable urban communities, including decent housing and suitable living environments and expansion of economic opportunities, principally for persons of low and moderate incomes.

Intergovernmental Grant Fund - Established to account for the revenues and expenditures for miscellaneous grants except for those recorded in the Department of Aviation, Water and Wastewater System, and the Community Development Funds.

Urban Design Commission Fund - Established to account for the revenues and expenditures associated with the operation and management of the Urban Design Commission (“UDC”), a blended component unity of the City. The UDC is legally separate from the City, and is governed by a board appointed by the Mayor and City Council.

Solid Waste Management - Established to account for the revenues and expenditures associated with the operation and management of debt financings for the closure of City landfills. The Solid Waste Management Authority, a blended component unit of the City, is legally separate from the City, and is governed by a board appointed by the Mayor and City Council.

Westside Tax Allocation - Established by the law creating the district to account for the proceeds of bonds issued to develop the Westside area and to account for the collection of the tax increments created by that development for repayment of the bonds and other projects.

Atlantic Station Tax - Established by the law creating the district to account for the proceeds of bonds issued to develop the Atlantic Station area and to account for the collection of the tax increments created by that development for repayment of the bonds and other projects.

Capital Projects Funds

These funds account for the accumulation of resources and the subsequent disbursement of such resources in obtaining or renovating major fixed assets.

Annual Bond Fund - Established to record capital project activity funded by General Obligation Bonds which are issued pursuant to special referenda or annual issues authorized by the City of Atlanta Charter. The annual issues of \$8 million are allocated equally between the City of Atlanta and the Atlanta Board of Education.

Park Improvement Fund - For permanent improvements to parks, the zoo, and recreation facilities funded by an ad valorem tax levy.

Special Assessment Fund - For the accumulation and expenditures of resources for various public improvements which are financed through assessment to individual property owners.

General Government - Established to record the acquisition, construction or improvement of capital assets which are funded by working capital obtained from certificates of appropriated and allocated from general government resources (operating transfers); dedicated taxes or a combination of financing sources which are not funded by the issuance of general obligation bonds.

Solid Waste Management - Established for the purpose of funding the closure cost of City of Atlanta landfills.

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CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds

Combining Balance Sheet
December 31, 2003
(In Thousands)

	Special Revenue Funds					
	Community Development Fund	Inter-governmental Grant Fund	Traffic Court	Atlantic Station Tax Allocation District	Westside Tax Allocation District	Other Special Rev. Funds
ASSETS						
Cash	\$ 1,583	\$ 10,768	\$ 964	\$ 11	\$ 51	\$ 10,706
Investments in pooled investment fund	-	21	-	-	-	29,964
Investments	-	-	1,975	15,091	12,296	1,435
Receivables						
Taxes	-	682	-	-	-	133
Accounts	-	-	1,281	-	-	127
Loans	-	-	-	-	-	-
Allowance for doubtful accounts	-	-	-	-	-	-
Due from other governmental units and agencies	-	321	-	-	-	-
Due from other funds	299	2,201	2,635	-	17	2,062
Investment in escrow	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Total assets	<u>\$ 1,882</u>	<u>\$ 13,993</u>	<u>\$ 6,855</u>	<u>\$ 15,102</u>	<u>\$ 12,364</u>	<u>\$ 44,427</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 278	\$ 1,066	\$ 121	\$ -	\$ 3	\$ 2,126
Accrued salaries, vacation, and compensatory pay	61	92	276	-	-	580
Contract retentions	10	-	-	-	-	-
Due to other governments	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-
Due to other funds	209	14,205	89	-	-	986
Deferred revenues	-	-	-	-	-	-
Total liabilities	<u>558</u>	<u>15,363</u>	<u>486</u>	<u>-</u>	<u>3</u>	<u>3,692</u>
Fund balances:						
Reserved for:						
Encumbrances	-	-	-	-	-	-
Programs	1,324	(1,370)	6,369	15,102	12,361	40,735
Capital Outlays	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-
Unreserved	-	-	-	-	-	-
Total fund balances	<u>1,324</u>	<u>(1,370)</u>	<u>6,369</u>	<u>15,102</u>	<u>12,361</u>	<u>40,735</u>
Total liabilities and fund balances	<u>\$ 1,882</u>	<u>\$ 13,993</u>	<u>\$ 6,855</u>	<u>\$ 15,102</u>	<u>\$ 12,364</u>	<u>\$ 44,427</u>

Capital Projects Funds

Debt Service Fund	Annual Bond	Park Improvement	Special Assessment	General Governmental Capital Outlay	Solid Waste Management Authority	Total Nonmajor Governmental Funds
\$ 6	\$ 204	\$ -	\$ -	\$ 15	\$ -	\$ 24,308
-	397	4,301	610	-	-	35,293
26,255	109,997	-	-	21,000	3,895	191,944
901	-	311	-	-	-	2,027
-	-	-	29	4	-	1,441
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	321
317	134	296	42	295	69	8,367
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 27,479</u>	<u>\$ 110,732</u>	<u>\$ 4,908</u>	<u>\$ 681</u>	<u>\$ 21,314</u>	<u>\$ 3,964</u>	<u>\$ 263,701</u>
\$ 9	\$ 2,507	\$ 184	\$ -	\$ 114	\$ -	\$ 6,408
-	124	37	-	5	-	1,175
-	322	204	-	-	-	536
-	-	80	-	-	-	80
-	-	-	-	-	-	-
-	3,548	113	16	16,316	1,664	37,146
-	-	71	-	-	-	71
<u>9</u>	<u>6,501</u>	<u>689</u>	<u>16</u>	<u>16,435</u>	<u>1,664</u>	<u>45,416</u>
-	15,174	619	188	2,330	184	18,495
-	-	-	-	-	-	74,521
-	89,057	3,600	477	2,549	2,116	97,799
27,470	-	-	-	-	-	27,470
-	-	-	-	-	-	-
<u>27,470</u>	<u>104,231</u>	<u>4,219</u>	<u>665</u>	<u>4,879</u>	<u>2,300</u>	<u>218,285</u>
<u>\$ 27,479</u>	<u>\$ 110,732</u>	<u>\$ 4,908</u>	<u>\$ 681</u>	<u>\$ 21,314</u>	<u>\$ 3,964</u>	<u>\$ 263,701</u>

CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2003
(In Thousands)

	Special Revenue Funds					
	Community Development Fund	Inter - governmental Grant Fund	Traffic Court	Atlantic Station Tax Allocation District	Westside Tax Allocation District	Other Special Rev. Funds
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ 3,868	\$ 3,489	\$ -
Charges for current services	372	8,603	3	-	-	687
Charges for special assessments	-	-	-	-	-	-
Fines, forfeitures and penalties	-	-	17,897	-	-	856
Investment income	251	320	6	1,010	117	2,157
Intergovernmental revenues:						
U.S. Government grants	12,293	6,706	-	-	-	4,068
State of Georgia	-	3,641	-	-	-	3
Total intergovernmental revenues	12,293	10,347	-	-	-	4,071
Other	615	1,131	791	-	-	8,821
Total revenues	13,531	20,401	18,697	4,878	3,606	16,592
Expenditures:						
General government:						
Executive Offices	3,094	6,934	-	-	-	2,398
Personnel and human services	-	-	-	-	-	9
City Council	-	-	-	-	-	29
Courts and judicial agencies	-	303	15,709	-	-	235
Finance	2,925	76	-	-	-	188
Housing, planning and development	6,462	12,508	-	-	-	5,756
Law	76	-	-	-	-	-
Total general government	12,557	19,821	15,709	-	-	8,615
Police	-	3,651	-	-	-	664
Fire	50	116	-	-	-	20
Corrections	39	134	-	-	-	1,149
Public Works	388	1,960	-	-	-	24
Parks, Recreation, and Cultural Affairs	1,377	410	-	-	-	1,917
Nondepartmental	-	10	-	95	1,599	2,589
Capital Outlays	-	-	-	-	-	-
Debt service:						
Principal payments	-	-	-	-	-	1,695
Interest payments	-	-	-	6,333	-	-
Bond issuance costs	-	-	-	3	109	-
Total debt service	-	-	-	6,336	109	1,695
Total expenditures	14,411	26,102	15,709	6,431	1,708	16,673
Excess (Deficiency) of revenues over (under) expenditures	(880)	(5,701)	2,988	(1,553)	1,898	(81)
Other financing sources:						
Transfers in (out)	1,163	(7,094)	(42,337)	(96)	-	3,216
Proceeds of general long-term debt	-	-	-	-	-	-
Total other financing sources	1,163	(7,094)	(42,337)	(96)	-	3,216
Revenues and other sources over (under) expenditures and other uses	283	(12,795)	(39,349)	(1,649)	1,898	3,135
Fund balances, beginning of year, as restated	1,041	11,425	45,718	16,751	10,463	37,600
Fund balances, end of year	\$ 1,324	\$ (1,370)	\$ 6,369	\$ 15,102	\$ 12,361	\$ 40,735

Capital Projects Funds

Debt Service Fund	Annual Bond	Park Improvement	Special Assessment	General Governmental Capital Outlay	Solid Waste Management Authority	Totals
\$ 24,254	\$ -	\$ 7,923	\$ -	\$ -	\$ -	\$ 39,534
-	-	-	-	-	-	9,665
-	-	-	531	2,073	-	2,604
-	-	-	-	-	-	18,753
297	1,263	102	5	210	35	5,773
-	-	-	-	-	-	23,067
-	-	-	-	-	-	3,644
-	-	-	-	-	-	26,711
-	1,285	220	-	2,624	-	15,487
24,551	2,548	8,245	536	4,907	35	118,527
-	-	-	-	-	-	12,426
-	-	-	-	-	-	9
-	-	-	-	-	-	29
-	-	-	-	-	-	16,247
-	-	-	-	-	-	3,189
-	-	-	-	-	-	24,726
-	-	-	-	-	-	76
-	-	-	-	-	-	56,702
-	-	-	-	-	-	4,315
-	-	-	-	-	-	186
-	-	-	-	-	-	1,322
-	-	-	-	-	-	2,372
-	-	-	-	-	-	3,704
12	-	-	-	-	-	4,305
-	54,162	10,272	-	2,298	1,432	68,164
7,150	-	-	-	-	855	9,700
11,759	-	-	-	-	-	18,092
23	-	-	-	-	2	137
18,932	-	-	-	-	857	27,929
18,944	54,162	10,272	-	2,298	2,289	168,999
5,607	(51,614)	(2,027)	536	2,609	(2,254)	(50,472)
-	40,979	1,128	-	336	(411)	(3,116)
-	8,000	-	-	-	-	8,000
-	48,979	1,128	-	336	(411)	4,884
5,607	(2,635)	(899)	536	2,945	(2,665)	(45,588)
21,863	106,866	5,118	129	1,934	4,965	263,873
\$ 27,470	\$ 104,231	\$ 4,219	\$ 665	\$ 4,879	\$ 2,300	\$ 218,285

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Nonmajor Proprietary Funds

Enterprise Funds

Operations of Enterprise Funds are designed to be self-supporting. The Water and Wastewater System, Department of Aviation, Sanitation Services, Parks and Recreation Facilities and Underground Atlanta Project are accounted for as Enterprise Funds. The latter two were determined to be nonmajor proprietary funds and are presented herein.

Parks and Recreation Facilities Fund - Established to account for the financial activities of the Cyclorama.

Underground Atlanta - To account for the portion of construction of a major public/private downtown economic development project paid for by public funds, and expenses associated with project.

Civic Center – Established to account for the fiscal activities of the Boisfeuillet Jones Atlanta Civic Center.

CITY OF ATLANTA, GEORGIA
Nonmajor Enterprise Funds

Combining Statement of Net Assets
December 31, 2003
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 69	\$ -	\$ -	\$ 69
Investments in Pooled Investment Fund	-	792	318	282	1,392
Receivables:					
Accounts	37,693	-	-	-	37,693
Less allowance for doubtful accounts	(27,055)	-	-	-	(27,055)
Total receivables	10,638	-	-	-	10,638
Due from other funds	-	34	14	12	60
Total current assets	10,638	895	332	294	12,159
Property and equipment - at cost:					
Land	888	-	21,621	514	23,023
Buildings and other structures	6,658	6,759	57,821	4,191	75,429
Other property and equipment	15,109	3,210	12,670	-	30,989
Less accumulated depreciation	(16,236)	(5,153)	(39,957)	(3,009)	(64,355)
Property and equipment, net	6,419	4,816	52,155	1,696	65,086
Other assets	-	-	8,276	-	8,276
Total assets	\$ 17,057	\$ 5,711	\$ 60,763	\$ 1,990	\$ 85,521
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 624	\$ 3	\$ 325	\$ 62	\$ 1,014
Accrued salaries, vacation, and compensatory pay	1,665	32	-	73	1,770
Current maturities of long-term debt	-	-	3,860	-	3,860
Accrued interest payable	-	-	180	-	180
Due to other funds	19,229	-	-	-	19,229
Total current liabilities	21,518	35	4,365	135	26,053
Long-term liabilities :					
Long-term debt, excluding current maturities shown above	-	-	65,330	-	65,330
Accrued workers' compensation	4,593	-	-	-	4,593
Landfill postclosure costs	52,218	-	-	-	52,218
Total long-term liabilities	56,811	-	65,330	-	122,141
Total liabilities	78,329	35	69,695	135	148,194
Net Assets:					
Investment in capital assets	6,419	4,816	(13,175)	1,696	(244)
Unreserved	(67,691)	860	4,243	159	(62,429)
Total net assets	(61,272)	5,676	(8,932)	1,855	(62,673)
Total liabilities and net assets	\$ 17,057	\$ 5,711	\$ 60,763	\$ 1,990	\$ 85,521

CITY OF ATLANTA, GEORGIA
Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenditures and Changes in Net Assets
For the Year Ended December 31, 2003
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Total
Operating revenues:					
Charges for services	\$ 36,113	\$ 539	\$ -	\$ 317	\$ 36,969
Rentals, admissions, and concessions	-	-	2,513	1,220	3,733
Other	494	-	-	54	548
Total operating revenues	36,607	539	2,513	1,591	41,250
Operating expenses:					
Salaries and employee benefits	19,394	517	-	727	20,638
Utilities	227	41	76	242	586
Materials and supplies	414	9	-	47	470
Repairs, maintenance, and other contractual services	1,237	62	1,279	463	3,041
Motor equipment service	7,747	7	-	10	7,764
Engineering and consultant fees	7,354	-	835	-	8,189
General services	5,131	21	3,105	49	8,306
Total operating expenses	41,504	657	5,295	1,538	48,994
Operating income (loss) before depreciation	(4,897)	(118)	(2,782)	53	(7,744)
Depreciation and amortization	1,845	269	2,189	140	4,443
Operating income	(6,742)	(387)	(4,971)	(87)	(12,187)
Nonoperating revenues (expenses):					
Interest expense	(1,824)	-	(217)	-	(2,041)
Investment income (loss)	170	14	-	6	190
Total nonoperating (expenses) revenues	(1,654)	14	(217)	6	(1,851)
Income (loss) before transfers	(8,396)	(373)	(5,188)	(81)	(14,038)
Transfers in	917	-	6,702	111	7,730
Transfers out	(699)	-	-	(8)	(707)
Net income (loss)	(8,178)	(373)	1,514	22	(7,015)
Net assets:					
Beginning of the year, as previously reported	(42,284)	6,049	(10,446)	1,833	(44,848)
Correction of prior year error	(10,810)	-	-	-	(10,810)
Beginning of year, as restated	(53,094)	6,049	(10,446)	1,833	(55,658)
Net assets, end of year	\$ (61,272)	\$ 5,676	\$ (8,932)	\$ 1,855	\$ (62,673)

CITY OF ATLANTA, GEORGIA
Nonmajor Enterprise Funds

Combining Statement of Cash Flows
For the Year Ended December 31, 2003

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Total
Cash flow from operating activities					
Cash received from user charges	\$ 38,474	\$ 539	\$ 2,513	\$ 1,591	\$ 43,117
Cash payments to employees for services	(18,939)	(510)	(4,970)	(682)	(25,101)
Cash payments to suppliers for goods and services	(18,173)	(65)	-	(758)	(18,996)
Net cash provided by (used in) operating activities	<u>1,362</u>	<u>(36)</u>	<u>(2,457)</u>	<u>151</u>	<u>(980)</u>
Cash flows from noncapital financing activities					
Transfers in	<u>218</u>	<u>-</u>	<u>6,702</u>	<u>103</u>	<u>7,023</u>
Net cash provided by (used in) noncapital financing activities	<u>218</u>	<u>-</u>	<u>6,702</u>	<u>103</u>	<u>7,023</u>
Cash flows from capital and related financing activities					
Capital contributions	-	-	-	-	-
Payments on landfill postclosure costs	-	-	-	-	-
Principals paid on bonds	-	-	(3,745)	-	(3,745)
Interest paid on bonds	(1,824)	-	(217)	-	(2,041)
Acquisition of capital assets	-	-	-	-	-
Net cash from (used in) capital and related financing activities	<u>(1,824)</u>	<u>-</u>	<u>(3,962)</u>	<u>-</u>	<u>(5,786)</u>
Cash flows from investing activities					
Net change in investment in pooled funds	74	88	(283)	(260)	(381)
Interest on investments	<u>170</u>	<u>14</u>	<u>-</u>	<u>6</u>	<u>190</u>
Net cash from investing activities	<u>244</u>	<u>102</u>	<u>(283)</u>	<u>(254)</u>	<u>(191)</u>
Net increase in cash and cash equivalents	<u>-</u>	<u>66</u>	<u>-</u>	<u>-</u>	<u>66</u>
Cash and cash equivalents, beginning of year	<u>-</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>3</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>-</u>	<u>\$ 69</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (6,742)	\$ (387)	\$ (4,971)	\$ (87)	\$ (12,187)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and depreciation	1,845	269	2,189	140	4,443
Increase (decrease) in receivables	2,361	-	-	-	2,361
Increase (decrease) in due from other funds	89	73	-	(9)	153
Increase (decrease) in other assets	-	-	-	-	-
(Increase) decrease in accounts payable	(602)	3	325	62	(212)
Increase (decrease) in other liabilities	758	6	-	45	809
Increase (decrease) in due to other funds	<u>3,653</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,653</u>
Net cash provided by (used in) operating activities	<u>\$ 1,362</u>	<u>\$ (36)</u>	<u>\$ (2,457)</u>	<u>\$ 151</u>	<u>\$ (980)</u>

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Fiduciary Funds

General Employees' Defined Benefits Pension Fund - To account for the operations of the Defined Benefits pension plan covering general officers and employees of the City.

General Employees' Defined Contribution Pension Fund - To account for the operations of the Defined Contribution pension plan covering general officers and employees of the City

Firefighter's Pension Fund -To account for the operations of the pension plan covering fire fighting employees of the City.

Police Officer's Pension Fund -To account for the operations of the pension plan covering sworn police employees of the City.

CITY OF ATLANTA, GEORGIA
Pension Trust Funds

Combining Statement of Plan Net Assets
December 31, 2003
(In Thousands)

	Pension Trust Funds				Totals
	General Employees' Defined Benefit	General Employees' Defined Contribution	Firefighters'	Police Officers'	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 3,313	\$ -	\$ 43,085	\$ 35,920	\$ 82,318
Securities lending collateral investment pool	194,709	-	43,645	63,124	301,478
Investments	681,382	10,916	277,527	408,685	1,378,510
Other receivables	223	-	2,419	-	2,642
Due from other funds	2,648	7,571	4,188	1,512	15,919
Total assets	\$ 882,275	\$ 18,487	\$ 370,864	\$ 509,241	\$ 1,780,867
LIABILITIES, FUND BALANCES, AND NET ASSETS HELD IN TRUST FOR PENSION BENEFITS					
Current liabilities:					
Accounts payable	\$ 290	\$ -	\$ 88	\$ 292	\$ 670
Due to other funds	14,036	-	2,654	884	17,574
Liability for securities lending agreement	194,709	-	43,645	63,122	301,476
Total current liabilities	209,035	-	46,387	64,298	319,720
Net Assets Held in Trust for Pension Benefits:	\$ 673,240	\$ 18,487	\$ 324,477	\$ 444,943	\$ 1,461,147

CITY OF ATLANTA, GEORGIA
Pension Trust Funds

Combining Statement of Changes in Plan Net Assets
For the Year Ended December 31, 2003
(In Thousands)

	Pension Trust Funds				Totals
	General Employees' Defined Benefit	General Employees' Defined Contribution	Firefighters'	Police Officers'	
Additions:					
Employer contributions	\$ 40,700	\$ 5,192	\$ 13,115	\$ 19,104	\$ 78,111
Employee contributions	10,534	6,011	2,685	4,651	23,881
Refunds and other	86	-	73	211	370
Investment income:					
Net depreciation in fair value of investments	67,810	-	36,134	60,222	164,166
Investment income	24,401	412	7,419	12,351	44,583
Securities lending income	177	-	154	184	515
Less: Investment expenses					
Securities lending expenses	-	-	(54)	(64)	(118)
Net investment income	<u>92,388</u>	<u>412</u>	<u>43,653</u>	<u>72,693</u>	<u>209,146</u>
Total additions	<u>143,708</u>	<u>11,615</u>	<u>59,526</u>	<u>96,659</u>	<u>311,508</u>
Deductions:					
Benefit payments	55,838	1,390	18,238	24,733	100,199
Refunds	13,299	-	108	105	13,512
Other	2,992	-	184	324	3,500
Total deductions	<u>72,129</u>	<u>1,390</u>	<u>18,530</u>	<u>25,162</u>	<u>117,211</u>
Net increase in net assets held in trust for pension benefits	71,579	10,225	40,996	71,497	194,297
Net assets held in trust for pension benefits:					
Beginning of year	<u>601,661</u>	<u>8,262</u>	<u>283,481</u>	<u>373,446</u>	<u>1,266,850</u>
End of year	<u>\$ 673,240</u>	<u>\$ 18,487</u>	<u>\$ 324,477</u>	<u>\$ 444,943</u>	<u>\$ 1,461,147</u>

**CAPITAL ASSETS USED
IN THE OPERATION OF
GOVERNMENTAL FUNDS**

CITY OF ATLANTA, GEORGIA
 Capital Assets Used in the Operation of Governmental Funds

Schedule by Source
 December 31, 2003
 (In Thousands)

	Totals
Governmental funds capital assets:	
Land	\$ 193,097
Construction in Progress	77,918
Buildings	268,995
Land improvements	20,558
Other property and equipment	124,053
Infrastructure	1,773,812
	\$ 2,458,433
TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 2,458,433
Investment in Governmental Funds Capital Assets by Source:	
General Fund	\$ 2,380,515
Capital Projects	77,918
	\$ 2,458,433
TOTAL INVESTMENT IN GOVERNMENTAL FUNDS CAPITAL ASSETS	\$ 2,458,433

CITY OF ATLANTA, GEORGIA
 Capital Assets Used in the Operation of Governmental Funds

Schedule By Function and Activity
 December 31, 2003
 (In Thousands)

	<u>Land</u>	<u>Buildings</u>	<u>Land Improvement</u>	<u>Other Property and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:	\$ 119,463	\$ 59,607	\$ 1,567	\$ 12,476	\$ 6,000	\$ 77,918	277,031
Police	697	1,107	110	20,695	-	-	22,609
Fire	1,250	9,361	-	24,895	-	-	35,506
Corrections	-	-	-	1,334	-	-	1,334
Public Works	32,698	2,245	1,533	56,704	1,767,812	-	1,860,992
Parks, Recreation and Cultural Affairs	38,989	196,675	17,348	7,949	-	-	260,961
Total governmental funds capital assets	<u><u>\$ 193,097</u></u>	<u><u>\$ 268,995</u></u>	<u><u>\$ 20,558</u></u>	<u><u>\$ 124,053</u></u>	<u><u>\$ 1,773,812</u></u>	<u><u>\$ 77,918</u></u>	<u><u>\$ 2,458,433</u></u>

CITY OF ATLANTA, GEORGIA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity
For the Year Ended December 31, 2003
(In Thousands)

Function and Activity	<u>January 1, 2003</u>	<u>Additions</u>	<u>Retirements</u>	<u>December 31, 2003</u>
General government:	\$ 299,306	\$ -	\$ 22,275	\$ 277,031
Police	22,610	1,276	1,277	22,609
Fire	35,506	-	-	35,506
Corrections	1,334	-	-	1,334
Public Works	1,806,117	64,010	9,135	1,860,992
Parks, Recreation and Cultural Affairs	<u>254,175</u>	<u>6,786</u>	<u>-</u>	<u>260,961</u>
Total governmental funds capital assets	<u>\$ 2,419,048</u>	<u>\$ 72,072</u>	<u>\$ 32,687</u>	<u>\$ 2,458,433</u>

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STATISTICAL SECTION

(Unaudited)

Cash Basis

The financial information presented provides detailed data on the financial, economic, and physical characteristics of the City. These tables cover multiple fiscal years and provide financial report users with a broader and more complete understanding of the City and its financial affairs.

CITY OF ATLANTA, GEORGIA

**GENERAL FUND EXPENDITURES BY FUNCTION
LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Year	General Government	Public Safety	Public Works		Cultural Affairs & Libraries	Parks & Recreation	Total Expenditures
			Sanitation	Streets & Highways			
1994	\$ 151,691,130 (1)	\$ 138,088,804	\$ 28,940,396	\$ 23,420,357	\$ 2,872,571	\$ 19,136,756	\$ 364,150,014
1995	167,290,852 (1)	135,967,649	30,723,103	22,780,516	3,460,590	19,871,524	380,094,234
1996	168,660,622	144,591,993	37,994,940	28,084,434	3,590,375	23,331,025	406,253,389
1997	171,491,843	152,344,992	33,702,386	27,042,910	3,760,872	23,296,357	411,639,360
1998	171,948,161	152,667,051	34,278,576	24,604,577	3,741,488	21,078,736	408,318,589
1999	183,213,904	153,649,715	32,282,506	22,758,700	3,601,245	19,207,585	414,713,655
2000	204,121,947	167,852,280	41,299,069	24,758,195	3,971,696	19,774,437	461,777,624
2001	220,144,015 (1)	178,248,929	N/A (2)	26,242,079	4,202,155	22,164,440	451,001,618
2002	186,716,339 (1)	174,626,570	N/A (2)	25,813,232	2,596,376	20,835,477	410,587,994
2003	193,334,625 (1)	190,034,687	N/A (2)	24,346,402	2,047,435	20,853,451	430,346,600

(1) Includes Department of Corrections. In 2002, City Traffic Court expenditures were moved from the General Fund to the Traffic Court Operations Fund.

(2) The Bureau of Solid Waste Services was moved out of the General Fund in 2001 and into the Solid Waste Services Revenue Fund. Sanitary service expenditures were moved from the General Fund in 2001 to the Sanitation Enterprise Fund.

CITY OF ATLANTA, GEORGIA

**GENERAL FUND REVENUES
LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Year	Taxes	Licenses and Permits	Charges For Current Services	Fines Forfeits, & Penalties	Inter- Governmental Revenues	Miscellaneous Revenue	Other Financing Sources	General Fund Revenue Total
1994	\$ 248,285,751	\$ 34,676,030	\$ 41,233,861	\$ 11,939,177	\$ 1,576,589	\$ 8,518,957	\$ 36,753,837	\$ 382,984,202
1995	247,413,223	35,518,221	41,281,247	11,793,833	1,073,614	9,439,447	42,317,568	388,837,153
1996	246,751,394	40,516,158	40,876,442	11,033,573	1,053,472	14,432,742	51,564,468	406,228,249
1997	238,862,426	42,520,605	43,600,158	14,272,905	533,644	10,983,667	42,683,488	393,456,893
1998	245,306,399	43,109,673	42,821,940	16,301,862	581,288	10,896,719	36,172,253	395,190,134
1999	286,363,348	47,224,484	34,817,921	18,000,059	536,820	11,309,549	36,821,689	435,073,870
2000	292,278,332	52,119,888	39,267,781	20,487,625	536,780	14,049,049	37,671,033	456,410,488
2001	291,157,216	52,443,055	4,678,380 (1)	16,175,769	535,368	11,386,982	39,652,165	416,028,934
2002	338,955,295	51,854,959	7,557,215 (1)	1,251,052 (2)	538,267	11,101,037	46,015,091	457,272,916
2003	334,315,529	49,925,930	11,615,327 (1)	1,391,699	537,002	10,458,347	44,357,384	452,601,217

- (1) Sanitary service charge revenues were moved from the General Fund in 2001 to the Sanitation Enterprise Fund.
- (2) Traffic and parking fine revenues were moved from the General Fund in 2002 to the Traffic Court Operations Fund.

CITY OF ATLANTA, GEORGIA

**PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Year	Total Tax Levy (1)	Collection of Current Year's Taxes (4)	% of Levy Collected	Collection of Prior Year's Taxes	Total Tax Collections	% of Total Collections To Tax Levy	Outstanding Delinquent Taxes	% of Outstanding Delinquent Taxes to Tax Levy
1994	\$ 120,444,703	\$ 108,476,361	90.06	\$ 10,091,982	\$ 118,568,343	98.44	\$ 22,992,754	19.09
1995	117,837,727	106,638,809	90.50	8,155,161	114,793,970	97.42	20,544,365	17.43
1996	96,847,743	93,879,289	(3) 96.93	9,413,521	103,292,810	106.65	17,771,774	18.35
1997	94,585,011	88,969,652	94.06	10,762,145	99,731,797	105.44	11,283,058	11.93
1998	111,063,274 (5)	88,990,821	80.13	4,285,557	93,276,378	83.98	12,427,219	11.19
1999	113,290,448	103,339,232	91.22	18,250,121 (5)	121,589,353	107.33	11,500,706	10.15
2000	118,232,484	109,025,223	92.21	7,516,653	116,541,876	98.57	10,810,824	9.14
2001	107,512,146	99,985,261	93.00	6,346,239	106,331,500	98.90	9,813,218	9.13
2002	173,920,120	158,225,729	90.98	8,434,089	166,659,818	95.83	7,371,405	4.24
2003	178,909,014	166,815,658	95.92	8,442,267	175,257,925	100.77	13,683,408	7.65

(1) Does not include intangible taxes; intangible taxes no longer assessed as of January 1, 1996.

(2) In 1992, \$1.9 million was collected by the City in error, then subsequently remitted to Atlanta Board of Education in 1993. The true collection rate, after adjusting for the \$1.9 million in school revenues, is 91.48% in 1992 and 90.11% in 1993.

(3) Includes incorrect billings of public utilities by the Fulton County Tax Commissioner, which was refunded to taxpayers in 1997.

(4) Does not include tax revenues retained by Fulton County for administrative expenses, therefore the collection rate shown is slightly less than actual.

(5) Includes a reassessment of \$15,189,076 which was billed by Fulton County to taxpayers in March, 1999. Collections related to the late reassessment billing are included in 1999 collections of prior year taxes.

CITY OF ATLANTA, GEORGIA

**PROPERTY TAX RATES AND TAX LEVIES
LAST TEN YEARS**

Tax Rates (per \$1,000 assessed value)

Year	Schools	General Fund Operations	Debt Service	Park Improvement	Total
1994	23.44	10.99	1.54	0.50	36.47
1995	23.19	9.66	2.30	0.50	35.65
1996	26.95	6.90	2.30	0.50	36.65
1997	25.43	6.57	2.32	0.50	34.82
1998	25.43	6.57	2.32	0.50	34.82
1999	24.93	6.57	2.32	0.50	34.32
2000	23.84	6.28	2.23	0.48	32.83
2001	21.94	6.19	0.86	0.44	29.43
2002	21.67	9.02	1.45	0.50	32.64
2003	21.46	8.71	1.41	0.50	32.08

Tax Levies

1994	\$ 220,142,786	\$ 104,966,861	\$ 15,311,731	\$ 4,565,338	\$ 344,986,716	(1)
1995	218,410,538	92,963,579	23,061,340	4,662,530	339,097,987	(1)
1996	256,610,799	67,771,498	24,276,529	4,799,716	353,458,542	(1)
1997	250,283,310	64,625,743	25,056,649	4,902,619	344,868,321	(1)
1998	295,957,990	76,462,603	28,781,599	5,819,072	407,021,264	(1)
1999	295,111,003	77,772,936	29,598,720	5,918,793	408,401,452	(1)
2000	306,777,569	80,812,212	31,140,597	6,279,675	425,010,053	(1)
2001	316,717,075	88,226,548	13,014,344	6,271,354	424,229,321	(1)
2002	343,562,112	141,378,685	24,622,343	7,919,092	517,482,232	(1)
2003	358,472,809	145,207,795	25,365,524	8,335,694	537,381,822	(1)

(1) These totals do not include the levy for the Special Tax District in that part of the City located in DeKalb County which is transferred to Fulton County to be used for Library Operations. Also, these totals do not include intangible taxes.

CITY OF ATLANTA, GEORGIA

GENERAL FUND TAX REVENUES BY SOURCE-CASH BASIS
LAST TEN YEARS

Year	Tangible		Intangible		Recording & Transfer Tax	Penalties & Interest on Taxes	Sales Tax	Tax on Receipt of Public Utilities	Tax on Insurance Premiums	Alcoholic Beverages	Hotel/Motel	Total Taxes Collected
	(Current)	(Prior)	(Current)	(Prior)								
1994	\$ 90,586,424	\$ 8,720,971	\$ 2,910,237	\$ 623,225	\$ 2,907,631	\$ 2,263,175	\$ 62,764,765	\$ 26,920,166	\$ 12,268,812	\$ 12,837,401	\$ 25,482,944	\$ 248,285,751
1995	81,368,902	6,853,855	2,400,000	406,101	2,670,063	4,414,382	68,663,795	27,263,643	13,003,429	13,070,511	27,298,542	247,413,223
1996	63,708,102	7,352,229	- (1)	938,292	2,694,217	3,314,677	80,297,450	28,981,021	13,896,912	14,195,329	31,373,165	246,751,394
1997	60,728,297	7,997,555	-	276	3,465,713	4,479,431	75,191,022	29,116,831	14,740,366	12,831,008	30,311,927	238,862,426
1998	60,688,695	2,888,569	-	-	4,152,381	1,547,299	83,949,293	30,087,442	15,457,214	13,405,497	33,130,009	245,306,399
1999	70,975,961	12,418,702 (2)	-	-	4,849,676	1,004,010	90,386,199	39,447,359	16,015,976	13,939,739	37,325,726	286,363,348
2000	74,824,932	5,055,803	-	22,654	5,387,983	509,359	96,164,771	39,632,661	17,011,123	13,824,789	39,844,257	292,278,332
2001	81,971,876	4,024,541	-	-	6,327,210	736,654	94,780,206	39,534,961	15,128,028	13,736,088	34,917,652	291,157,216
2002	128,177,300	5,815,990	-	-	6,900,067	706,801	88,788,626	45,191,936	16,590,653	13,283,328	33,500,593	338,955,295
2003	135,908,959	6,842,886	-	-	8,822,475	433,414	77,095,516	42,996,473	17,880,802	13,115,914	31,219,090	334,315,529

(1) Intangible taxes no longer assessed as of January 1, 1996.

(2) Includes collections of a 1998 reassessment of \$15,189,076 which was billed by Fulton County to taxpayers in March, 1999.

CITY OF ATLANTA, GEORGIA

**ASSESSED AND ESTIMATED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

Year	Real Estate		Personal Property and Corporate Franchise		Total		Ratio of Total Assessed to Total Estimated Market Value
	Assessed Value (Gross)	Estimated Market Value	Assessed Value (1)	Estimated Market Value	Assessed Value	Estimated Market Value	
1994	\$ 7,552,051,010	\$ 18,880,127,525	\$ 2,491,762,876	\$ 6,229,407,190	\$ 10,043,813,886	\$ 25,109,534,715	40
1995	7,615,780,160	19,039,450,400	2,597,436,514	6,493,591,285	10,213,216,674	25,533,041,685	40
1996	7,798,454,040	19,496,135,100	2,773,758,023	6,934,395,058	10,572,212,063	26,430,530,158	40
1997	7,845,932,330	19,614,830,825	2,954,562,073	7,386,405,183	10,800,494,403	27,001,236,008	40
1998	7,904,182,149	19,760,455,374	2,976,496,762	7,441,241,904	10,880,678,911	27,201,697,278	40
1999	9,671,243,681	24,178,109,203	3,112,309,595	7,780,773,988	12,783,553,276	31,958,883,191	40
2000	10,537,528,819	26,343,822,048	3,378,385,537	8,445,963,843	13,915,914,356	34,789,785,891	40
2001	12,273,584,727	30,683,961,818	3,328,687,294	8,321,718,235	15,602,272,021	39,005,680,053	40
2002	14,191,430,603	35,478,576,508	3,286,308,120	8,215,770,300	17,477,738,723	43,694,346,808	40
2003	15,385,186,442	38,462,966,105	3,050,161,351	7,625,403,378	18,435,347,793	46,088,369,483	40

NOTE: Assessed values are established by the Fulton County Board of Tax Assessors on January 1st of each year at 40% of the market value as required by State Law.

(1) Freeport exemption netted out.

CITY OF ATLANTA, GEORGIA

**PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 ASSESSED VALUE)
LAST TEN YEARS**

Year	City of Atlanta, Georgia										Fulton County, Georgia			Georgia State Levy	Total
	General Levy	School Levy	Parks Levy	City Bond Levy	School Bond Levy	Total	Atlanta/DeKalb County Special Tax District	Downtown Improvement District	Special Tax District (1)	County Levy	County Bond Levy	Hospital Levy			
1994	\$ 10.99	\$ 23.44	\$ 0.50	\$ 0.25	\$ 1.29	\$ 36.47	\$ 1.98	-	-	\$ 8.64	\$ 0.66	\$ 4.71	\$ 0.25	\$ 14.26	
1995	9.66	23.19	0.50	0.99	1.31	35.65	1.90	-	-	9.20	0.66	4.15	0.25	14.26	
1996	6.90	26.95	0.50	0.99	1.31	36.65	1.87	2.02	2.02	8.90	0.66	4.45	0.25	14.26	
1997	6.57	25.43	0.50	1.32	1.00	34.82	2.06	2.02	2.02	9.14	0.66	3.89	0.25	13.94	
1998	6.57	25.43	0.50	1.32	1.00	34.82	2.06	2.02	2.02	9.14	0.66	3.89	0.25	13.94	
1999	6.57	24.93	0.50	1.32	1.00	34.32	1.96	2.22	2.22	9.14	0.66	3.89	0.25	13.94	
2000	6.28	23.84	0.48	1.27	0.96	32.83	1.86	2.22	2.22	13.31 (3)	0.38	-	0.25	13.94	
2001	6.19	21.94	0.44	0.74	0.12	29.43	1.47	2.22	2.22	13.04 (3)	0.30	-	0.25	13.59	
2002	9.02	21.67	0.50	1.34	0.11	32.64	1.30	2.50	2.50	12.53 (3)	0.28	-	0.25	13.06	
2003	8.71	21.46	0.50	1.30	0.11	32.08	1.14	3.60	3.60	12.05 (3)	0.27	-	0.25	12.57	

(1) Tax imposed by property owners in the district pursuant to state authorization.

(2) Reduced by a debt service payment by the Atlanta Board of Education using its existing resources.

(3) Hospital levy included in County levy.

CITY OF ATLANTA, GEORGIA

PROPERTY TAXES RECEIVABLES BY YEAR OF LEVY DECEMBER 31, 2003

Year of Levy	Amount
1997	\$ 447,534
1998	525,074
1999	363,937
2000	557,186
2001	674,126
2002	2,116,404
2003	8,999,147
	<hr/>
	<u>\$ 13,683,408</u>

NOTE: Amounts indicated are gross amounts outstanding. These amounts do not reflect any allowances for bad debts which are reflected in the general purpose financial statements.

CITY OF ATLANTA

**SPECIAL ASSESSMENT COLLECTIONS
LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Billing Year	Assessments Billed	Assessments Collected	% of Collections to Amount Billed	Total Outstanding Assessments
1994	\$ 1,074,752	\$ 189,323.00	17.6	\$ 4,198,543.00
1995	1,609,273	121,968	7.6	5,685,848
1996	1,171,079	163,052	13.9	6,693,875
1997	2,079,161	358,874	17.3	8,748,431
1998	878,224	203,428	23.2	8,621,736
1999	122,219	386,675	316.4	8,357,280
2000	95,756	379,999	396.8	8,073,037
2001	105,523	347,505	329.3	7,831,055
2002	98,921	432,549	437.3	7,497,427
2003	122,954	472,438	384.2	7,147,943

NOTES: All Special Assessments are due when billed and may be paid within thirty (30) days without interest. An election to pay in four installments is available for demolition, curb, gutter and sidewalks; six installments for sewer; and ten installments for paving at an annual interest rate of seven percent (7%) on the balance. Each installment is added to the Special Assessment Fund and the method of enforcing collections is the same as for general government taxes.

These amounts do not reflect any allowances for bad debts.

CITY OF ATLANTA, GEORGIA

**RATIO OF NET GENERAL BONDED DEBT TO
ASSESSED VALUE AND NET BONDED DEBT
PER CAPITA LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	% of Net Bonded Debt to Assessed Value	Net Bonded Debt per Capita
1994	421,900	\$ 10,100,534	\$ 260,410	\$ 29,412	\$ 230,998	2.29	\$ 547.52
1995	424,300	10,268,452	260,990	30,674	230,316	2.24	542.82
1996	425,200	10,629,772	289,795	27,795	262,000	2.46	616.18
1997	426,300	10,860,127	329,440	33,006	296,434	2.73	695.36
1998	426,600	10,955,531	324,030	49,453	274,577	2.51	643.64
1999	427,500	12,916,521	323,365	43,409	279,956	2.17	654.87
2000	430,000	13,940,772	321,915	52,362	269,553	1.93	626.87
2001	419,185	15,725,462	237,200	13,973	223,227	1.42	532.53
2002	428,100	17,498,002	238,510	20,528	217,982	1.25	509.18
2003	432,900	18,447,913	239,360	26,567	212,793	1.15	491.55

(1) Source: Atlanta Regional Commission as of April 2002.

(2) Includes Freeport.

(3) Includes all Long-term General Obligation Debt.

CITY OF ATLANTA, GEORGIA

COMPUTATION OF LEGAL DEBT MARGIN DECEMBER 31, 2003

General Obligation Bond Net Tax Digest as of 12/31/03	\$18,367,372,062	
Debt Limit for General Purpose (8% of Assessed Value)		1,469,389,765
Amount of Debt Applicable to Debt Limit for General Purposes		(227,687,500)
Legal Debt Margin for General Purposes		<u>\$ 1,241,702,265</u>
General Obligation School Bond Net Tax Digest as of 12/31/03	\$18,216,566,502	
Debt Limit for School Purposes (4% of Assessed Value)		\$728,662,660
Amount of Debt Applicable to Debt Limit for School Purposes		(11,672,500)
Legal Debt Margin for School Purposes		<u>\$716,990,160</u>
TOTAL LEGAL DEBT MARGIN		<u>\$1,958,692,425</u>

CITY OF ATLANTA, GEORGIA

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2003
(NON-GAAP BUDGETARY BASIS)**

	Amount Outstanding	%	Amount Applicable to Atlanta
<u>DIRECT DEBT</u>			
Total City G.O. Debt	\$ 239,360,000	100.0%	\$ 239,360,000
Less: Bond Sinking Fund Balance	<u>26,567,066</u>	100.0%	<u>26,567,066</u>
<u>NET DIRECT DEBT</u>			<u>212,792,934</u>
 <u>OVERLAPPING DEBT</u>			
Fulton County	33,819,715	53.9%	18,228,826
Dekalb County	240,254,000	3.4%	8,168,636
Building Authority of Fulton County	101,687,745	53.9%	54,809,695
 <u>CONTRACTUAL GENERAL OBLIGATION DEBT</u>			
Atlanta and Fulton Recreation Authority	6,075,000	66.7%	4,050,203
Downtown Development Authority of the City of Atlanta(DDA)	69,190,000	100.0%	69,190,000
Urban Residential Finance Authority of the City of Atlanta(URFA)	9,623,240	33.3%	3,207,426
 <u>OVERLAPPING CONTRACTUAL OBLIGATIONS</u>			
Fulton-Dekalb Hospital Authority	<u>258,400,000</u>	40.4%	<u>104,393,600</u>
TOTAL OVERLAPPING DEBT			262,048,385
TOTAL DIRECT & OVERLAPPING DEBT			<u>\$ 474,841,319</u>

Sources: Dekalb County, Terry Arnold (404) 371-2056, Dick Adams (404) 371-2763
Marvin Davis (404) 371-2238, Dekalb County bond counsel - Joe Lay (404) 233-0292
In the outstanding debt figure for Dekalb County, the sinking fund balance has been netted out.

URFA (404) 880-4100 Dawn Luke, Pete Walker
Fulton County (404) 730-7600 Sharron Whitmore; Ray Turner (404) 730-7737

CITY OF ATLANTA, GEORGIA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL
GENERAL FUND EXPENDITURES LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	% of Debt Service to General Expenditures
1994	\$ 5,960,000	\$ 9,887,379	\$ 15,847,379	\$ 364,150,014	4.4
1995	7,420,000	16,350,126	23,770,126	380,094,234	6.3
1996	7,695,000	14,561,647	22,256,647	406,253,389	5.5
1997	9,715,000	15,965,781	25,680,781	411,639,360	6.2
1998	10,270,000	18,148,531	28,418,531	408,318,589	7.0
1999	10,720,000	17,126,336	27,846,336	414,713,655	6.7
2000	9,450,000	16,515,024	25,965,024	461,777,624	5.6
2001	9,970,000	16,498,701	26,468,701	451,001,618	5.9
2002	6,690,000	11,692,878	18,382,878	410,587,994	4.5
2003	7,150,000	11,836,000	18,986,000	430,346,600	4.4

CITY OF ATLANTA, GEORGIA

2003 TEN MAJOR TAXPAYERS

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Value</u>	<u>% of Total Assessed Value</u>
BELLSOUTH	Communication Service	\$ 311,493,227	1.69%
COCA-COLA COMPANY	Marketing and Manufacturing	162,670,820	0.88%
GEORGIA POWER COMPANY	Utility Service	138,389,311	0.75%
POST APARTMENT HOMES	Residential Real Estate	116,171,210	0.63%
GEORGIA PACIFIC	Pulp and Paper Estate	90,792,750	0.49%
CSC ASSOCIATES	Commercial Real Estate	87,338,740	0.47%
SUNTRUST PLAZA ASSOCIATES	Commercial Real Estate	82,038,220	0.44%
ONE NINETY ONE PEACHTREE ASSOCIATION	Commercial Real Estate	76,478,710	0.41%
SUMITO LIFE REALTY, INC.	Commercial Real Estate	63,170,490	0.34%
ATLANTA CENTER LTD	Commercial Real Estate	<u>58,083,570</u>	0.31%
Total		<u>\$ 1,186,627,048</u>	<u>6.43%</u>
CITY OF ATLANTA 2003 TOTAL GROSS PROPERTY TAX DIGEST		<u>\$18,447,913,040</u>	

CITY OF ATLANTA, GEORGIA

**SCHEDULE OF REVENUE BOND COVERAGE
DEPARTMENT OF AVIATION
LAST TEN YEARS
(NON-GAAP BUDGETARY BASIS)**

Year	Operating Revenue (1)	Current Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal	Interest (3)	Total	
1994	\$ 133,249,106	\$ 43,594,295	\$ 89,654,811	\$ 11,710,000	\$ 51,279,995	\$ 62,989,995	1.42
1995	172,644,485	47,431,233	125,213,252	14,575,000	54,641,630	69,216,630	1.81
1996	187,589,010	58,306,392	129,282,618	6,555,000	52,068,253	58,623,253	2.21
1997	203,393,601	57,680,544	145,713,057	32,180,000	50,907,185	83,087,185	1.75
1998	236,281,519	61,044,014	175,237,505	33,945,000	49,161,158	83,106,158	2.11
1999	243,875,331	65,241,480	178,633,851	35,905,000	47,250,968	83,155,968	2.15
2000	254,701,033	76,383,098	178,317,935	42,670,000	62,277,198	104,947,198	1.70
2001	257,119,663	84,788,711	172,330,952	48,110,000	79,922,860	128,032,860	1.35
2002	250,917,834	93,131,834	157,786,000	50,775,000	77,257,713	128,032,713	1.23
2003	250,460,000	95,611,000	154,848,000	44,852,004	66,230,735	111,082,739	1.39

(1) Represents total operating revenues

(2) Represents total operating expenses exclusive of debt service.

(3) Interest includes capitalized interest for the years 1993-2001 which is excluded in the bond coverage calculation.

CITY OF ATLANTA, GEORGIA

**SCHEDULE OF REVENUE BOND COVERAGE
WATER AND SEWERAGE SYSTEM
LAST FIVE YEARS
(GAAP BASIS)
(DOLLARS IN THOUSANDS)**

Year	Revenue (1)	Expenses (2)	Net Revenue available for Debt Service	Annual Debt Service Requirements (3)	Coverage Ratio
1997	\$ 162,854	\$ 110,219	\$ 52,635	\$ 16,523	3.19
1998	182,183	111,798	70,385	26,733	2.64
1999	182,946	117,784	65,162	39,359	1.66
2000	208,463	125,968	82,495	36,692	2.25
2001	185,957	121,102	64,855	34,050	1.90
2002	240,954	131,708	109,246	47,451	2.30
2003	227,441	146,971	80,470	32,972	2.44

- (1) Total operating revenues plus investment income.
- (2) Total operating expenses exclusive of the payment in lieu of taxes and franchise fees and depreciation and amortization.
- (3) Annual debt service includes sinking fund requirements of the Water and Sewerage Revenue Fund, Fund, thus excluding capitalized interest and sinking fund payments funded by the 1999 Revenue Bonds in order to comply with the defined bond coverage calculation.

CITY OF ATLANTA, GEORGIA

DEMOGRAPHIC STATISTICS LAST TEN YEARS

Year	Population (1)	Median Age (2)	School Enrollment (3)	Unemployment Rate
1994	421,900	31.5	57,780	7.6%
1995	424,300	31.5	57,883	7.4%
1996	425,200	31.5	58,107	6.7%
1997	426,300	31.5	58,042	6.2%
1998	426,600	31.5	57,711	5.6%
1999	427,500	31.5	57,223	5.2%
2000	430,000	31.9	56,377	5.0%
2001	419,185	31.9	56,586	5.8%
2002	428,100	31.9	56,946	7.3%
2003	432,900	31.9	52,103	7.9%

Sources:

- 1 Source: Atlanta Regional Commission as of April 2002.
- 2 Estimate of Median Age - Per Census Taken Every 10 Years
- 3 Atlanta School Board

CITY OF ATLANTA, GEORGIA

VALUE OF CONSTRUCTION AND BANK DEPOSITS LAST TEN YEARS

Year	Commercial Construction		Residential Construction		Bank Deposits (in thousands) (1)	City Property Values		
	Number of Units	Value	Number of Units	Value		Real Property Market Value	Personal Property Market Value (2)	Total Market Value
1994	506	\$ 447,118,705	431	\$ 88,234,695	\$ 18,675,277	\$ 18,880,127,525	\$ 6,229,407,190	\$ 25,109,534,715
1995	492	141,425,935	460	119,174,147	20,095,365	19,039,450,400	6,493,591,285	25,533,041,685
1996	855	161,874,206	548	265,315,897	21,775,882	19,496,135,100	6,934,395,058	26,430,530,158
1997	559	250,113,212	472	188,433,969	22,188,091	19,614,830,825	7,386,405,183	27,001,236,008
1998	572	400,599,578	647	234,141,067	23,405,856	23,864,583,350	7,841,041,275	31,705,624,625
1999	564	371,755,724	884	409,909,735	24,186,589	24,178,109,203	7,780,773,988	31,958,883,191
2000	244	192,497,450	1045	552,114,067	29,241,200	26,343,822,048	8,445,963,843	34,789,785,891
2001	551	747,118,442	1068	538,068,746	29,248,023	30,683,961,818	8,321,718,235	39,005,680,053
2002	531	1,004,552,282	1019	581,419,369	32,257,957	35,478,576,508	8,215,770,300	43,694,346,808
2003	446	511,807,239	1309	606,442,727	42,275,651	38,462,966,105	7,625,403,378	46,088,369,483

Source:

(1) Federal Reserve Bank- Atlanta Region

(2) Freepport exemption netted out.

CITY OF ATLANTA, GEORGIA

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2003

GENERAL:

Date of incorporation and original City charter	December 29, 1847
Revised City charter effective	January 1, 1974
Form of government	Mayor-Council
Area of City	131.4 square miles
Miles of streets:	
Paved	1,414 miles
Unpaved	26 miles
Miles of curbstone	2,800 (approximate)

CONSTRUCTION PERMITS:

Permits issued	9,104
Total value	\$ 1,764,669,127

NUMBER OF STREET LIGHTS:

Owned	6,295
Leased	36,713
Freeway Lights	6,664

FIRE PROTECTION:

Fire stations	34
Employees:	
Firefighting	893
Civilian	67

FIRE VEHICLES:

Fire engines	45
Tractor drawn aerial ladders	16
Mid-ship platform ladders	2
Mid-ship aerial ladders	7
Foam trailer	1
Light unit truck	1
Command vehicle	7
Service trucks	3
Pick-up trucks	28
Hazardous material trucks	3
Rescue units	7
Vans	6
Bus	1
Fire cars	44
Lift gate stake body trucks	2
Van aerial truck	0
Air crash fire rescue vehicles	13
Ambulances	4

CITY OF ATLANTA, GEORGIA

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2003

POLICE PROTECTION:

Police administrative headquarters	1
Precincts	6
Employees:	
Law enforcement	1,570
Civilian	451

POLICE VEHICLES:

Patrol cars	355
Detective cars	355
Patrol wagons	40
Solo motorcycles	116
Pick-up trucks	41
Vans (full size)	80
Bomb trailers	3
Mini vans	15
Horse trailers	5
Helicopters	2
Buses	4

JAILS:

Correctional Facilities	2
City Detention Center Capacity	1,317

RECREATION:

Parks	346
Total acres	3,354
Golf courses	6
Tennis centers	5
Swimming pools	
Outdoor	18
Indoor	5
Play Grounds	105
Ball Fields	85
Other recreational facilities	49

SCHOOLS:

Elementary	65
Middle	17
High	10
Evening	2
Alternative	3
Charter Schools	3

CITY OF ATLANTA, GEORGIA

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2003

STUDENT ENROLLMENT:

Pre- Kindergarten	788
Elementary	26,471
Middle	11,724
High	13,120

TEACHERS (Classroom) 4,086

Municipal employees (exclusive of Atlanta Board of Education) 7,607

WATER AND SEWERAGE:

PURE WATER PRODUCED:

Total gallons produced	40,677 mill. gal.
Maximum daily produced	142.5 mill. gal.
Average daily produced	111.44 mill. gal.

WATER MAINS:

Miles in service 2,424

ATLANTA INTERNATIONAL AIRPORT:

Number of passengers served	79,086,792
Number of operations served	911,723
Number of carriers:	
Commercial	25
Cargo	19
Number of runways	4
Number of feet each runway:	
9R 27L	9,000 feet or 2,743 meters
9L 27R	11,889 feet or 3,624 meters
8R 26L	10,000 feet or 3,048 meters
8L 26R	9,000 feet or 1,743 meters

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