



CITY OF ATLANTA, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Year Ended December 31, 2005

Shirley Franklin
Mayor

Janice D. Davis
Chief Financial Officer



Introductory Section

CITY OF ATLANTA, GEORGIA
Comprehensive Annual Financial Report
For the Year Ended December 31, 2005

TABLE OF CONTENTS

INTRODUCTORY SECTION	Page
Table of Contents.....	i
Letter of Transmittal.....	iv
GFOA Certificate of Achievement.....	xii
Organization Chart.....	xiii
List of Elected and Appointed Officials.....	xiv
FINANCIAL SECTION	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	3
Basic Financial Statement:	
Government-wide Financial Statements:	
Statement of Net Assets.....	17
Statement of Activities.....	18
Fund Financial Statements:	
Balance Sheet-Governmental Funds.....	20
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Assets.....	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	22
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds to the Statement of Activities.....	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	24
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund.....	26
Statements of Net Assets – Proprietary Funds.....	28
Statements of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	30
Statement of Cash Flows – Proprietary Funds.....	31
Statement of Fiduciary Net Assets – Fiduciary Funds.....	33
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	34
Component Units Financial Statements	
Statement of Net Assets – Components Units.....	36
Statement of Activities – Components Units.....	38
Notes to Financial Statements.....	39

CITY OF ATLANTA, GEORGIA
Comprehensive Annual Financial Report
For the Year Ended December 31, 2005

TABLE OF CONTENTS

	Page
Required Supplementary Information:	
Schedule of Funding Progress – General Employees, Police Officers, and Firefighters Pension Plans	101
Combining and Individual Fund Statements and Schedules:	
Combining Balance Sheet – Nonmajor Governmental Funds	104
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	106
Combining Balance Sheet – Nonmajor Governmental Funds Tax Allocation Districts.....	108
Combining Statement of Revenues, Expenditures and Changes in Fund balances – Nonmajor Governmental Funds – Tax Allocation Districts.....	109
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:	
Special Revenues Funds	110
Combining Statement of Net Assets – Nonmajor Proprietary Funds	118
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Nonmajor Proprietary Funds	119
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	120
Combining Statement of Net Assets – Pension Trust Funds	121
Combining Statement of Changes in Net Assets – Pension Trust Funds	122
Statement of Changes in Assets and Liabilities – Agency Fund	123
STATISTICAL SECTION	
General Governmental Revenues by Source	125
General Fund Expenditures by Function	126
Property Tax Levies and Collections.....	127
Property Tax Rates and Tax Levies	128
General Governmental Tax Revenues by Source	129
Assessed and Estimated Actual Value of Taxable Property.....	130
Property Tax Rates – Direct and Overlapping Governments	131
Property Taxes Receivables.....	132
Special Assessment Billings and Collections	133

CITY OF ATLANTA, GEORGIA
Comprehensive Annual Financial Report
For the Year Ended December 31, 2005

TABLE OF CONTENTS

	Page
Ratio of Net General Obligation Bonded Debt to Assessed Valued and Net General Obligation Bonded Debt Per Capita.....	134
Computation of Legal Debt Margin.....	135
Computation of Direct and Overlapping Bonded Debt General Obligation Bonds.....	136
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures	137
Schedule of Revenue Bond Coverage – Department Aviation	138
Schedule of Revenue Bond Coverage – Department of Watershed Management.....	139
Demographic Statistics	140
2005 Ten Major Taxpayer	141
Construction, Bank Deposits and City Property	142
Miscellaneous Statistical Data	143
Operating Data of Water and Wastewater System 2005 Continuing Disclosure	146



CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

DEPARTMENT OF FINANCE
68 MITCHELL STREET, S. W., SUITE 11100
ATLANTA, GEORGIA 30335-0312
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JANICE D. DAVIS
CHIEF FINANCIAL OFFICER

June 30, 2006

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

Ladies and Gentlemen:

We are pleased to present the 2005 Comprehensive Annual Financial Report (CAFR) for the City of Atlanta, Georgia (City).

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. The State law also allows for approved extensions beyond the six-month deadline. The City requested, and received approval for, a thirty-day extension in order to complete these financial statements. This delay was caused by a restructuring within the Finance Department that moved responsibility for the preparation of the CAFR. In accordance with these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Atlanta for the fiscal year ended December 31, 2005.

The CAFR is organized into three sections:

- The Introductory Section is intended to familiarize the reader with the organizational structure of the City, nature and scope of the services it provides, and specifics of its legal operating environment. The introductory section includes this transmittal letter, Certificate of Achievement for Excellence in Financial Reporting, the City's organization chart, and a list of principal officials.
- The Financial Section is prepared in accordance with Governmental Accounting Standards Board Statement No. 34 (GASB 34) requirements including the Management Discussion and Analysis (MD&A), independent auditor's report, audited basic financial statements, notes to the basic financial statements, required supplementary information, supporting statements and schedules necessary to fairly present the financial position and the changes in financial position of the City in conformity with accounting principles generally accepted in the United States. The audited basic financial statements include the government-wide financial statements that present an overview of the City's entire financial operations and the fund financial statements that present the financial

information of each of the City's major funds, as well as nonmajor governmental, fiduciary and other funds.

- The Statistical Section contains comprehensive statistical data on the City's financial, physical, economic, social, and political characteristics.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City 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 Banks, Finley, White & Co; with additional support provided by Tabb & Tabb. 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, 2005, 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 that the City of Atlanta financial statements for the fiscal year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies.

The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of 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's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1847, is located in the north-central part of the state, which is the top growth area in the state, and has been one of the highest growth areas of the country for over three decades. The City currently occupies a land area of 131.4 square miles, with a population of 442,100 and 4,857,497 in the Atlanta Metropolitan Area according to the Atlanta Regional Commission. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City's policy-making and legislative authority are vested in a governing council (City Council) consisting of the fifteen members and an elected City Council President who serves as presiding officer. The City 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 City Council is elected on a non-partisan basis. Council members serve four-year terms, as does the Mayor. The mayor is limited to two consecutive terms. There are no term limits on council members or the Council President. Twelve of the council members are elected by district. The Mayor, the three remaining council members and the Council President are elected at large.

The City 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; and solid waste collection and disposal. 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, 2005 for the Atlanta-Fulton County Recreation Authority, the Urban Design Commission (UDC), the Solid Waste Management Authority (SWMA), the Atlanta Empowerment Zone Corporation, and the Atlanta Development Authority (ADA), all of which were included as part of the City's 2005 CAFR. 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 Independent School System and the Atlanta Housing Authority.

Local economy

The City of Atlanta has transformed itself into one of the most desirable cities to live and do business in this country. It is truly an international city with 53 countries of official representation. Testimony to this transformation is well publicized in various magazines and publications. For example, the city is ranked nationally in the following categories:

- “ 1st America's Hottest 50 Cities” (Expansion Magazine 2004)
- “ 1st Most Affordable Market” (Business Week, Jan.3, 2005)
- “ 1st Airport for non-stop service to United States Destinations” (Back Aviation Solution and OSG, 2003)
- “ 1st Airport in Number of Passengers” (Atlanta Journal Constitution, 2005)
- “ 1st City for job growth” (US Bureau of Labor and Statistics, 2003)
- “ 1st Top Office Real Estate Market, 2004-2008” (Grubb and Ellis Company's 2004 National Real Estate)
- “ 1st Nation's Best Big Cities for Entrepreneurs” (Inc. Magazine , 2004)
- “ 1st Fastest Growing Online City” (Nielsen/Netratings 2003)
- “ 1st African American relocation in the United States” (Atlanta Journal Constitution, 2003)
- “ 2nd Strongest Metro Area Industrial Real Estate Market” (Grubb and Ellis, 2004)
- “ 2nd Technology Accessible” (Popular Science, 2005)
- “ 3rd 50 Hottest Cities for Business Relocation and Expansion” (Expansion Management Magazine, 2003)
- “ 4th Most educated city in America” (Census' 2002 American Community Survey)

These statements are testimony to the City's vibrancy, its business-friendly public policies, its well educated and skilled labor force, and its incentive-driven environment within which to do business.

The City 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 is the headquarters of 17 Fortune 500 companies and 30 companies have worldwide headquarters located in the City. Also, the City has offices of 753 Fortune 1000 Service and Industrial companies. The City has the largest federal regional concentration outside of Washington, D.C. Atlanta's economic base is further strengthened by a highly-integrated transportation network, consisting of three major interstate highways (20, 75 and 85), a beltway (Interstate 285), expanded public transportation which includes MARTA, and the opening of a fifth runway, international terminal, and expanded air cargo at Hartsfield-Jackson Atlanta International Airport. 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 Development of Housing and Urban Development will assist in promoting further economic development and affordable housing. The Atlantic Station mixed-use development and the opening of the world's largest 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.

Significant Events and Accomplishments

Highlights of activities and accomplishments for the fiscal year ended December 31, 2005 include the following:

- The creation of the Beltline and approval of the Beltline Tax Allocation District (TAD). The TAD will provide the main funding source for the Beltline. The Beltline is a development of mixed use areas, including greenspace around the City. Described as an "emerald necklace around the City," Will Rogers, President of the Trust for Public Land, has called the Beltline "the most exciting urban project in America."
- The City adopted a \$ 125 million parks improvement bond program to acquire green space and to make badly needed repairs to playground equipment, gymnasiums and other recreational amenities through out the City.
- The Mayor's Next Step program was created to assist every graduating senior of the Atlanta Public Schools with preparation for their future. Under the program, almost 400 students were provided counseling and financial support to go to college or technical school. Over 700 students were provided summer employment and internships with City government and businesses in and around the City. Approximately 120 young people received healthcare related training in nursing, patient care and pharmacy.
- The New Century Economic Development Plan for the City of Atlanta was updated. The Plan's goals are:
 - To create 60,000 new jobs in the City;
 - To create 24,000 new metro jobs related to airport growth and expansion;
 - To grow property value in the City by \$26 billion, by adding households and leased commercial space;
 - To add 10,000 new workforce housing units by use of City incentives;
 - To decrease the City's crime rate to 5,600 crimes per 100,000 residents;
 - To increase the high school completion rate of Atlanta Public School students to 72%;
 - and

- To add 1,900 acres of dedicated parks and green space to the City.
- The creation of the Economic Opportunity Fund to provide financial support for the City's economic development initiatives.
- The Brand Atlanta campaign was included as a key component of the City's economic development strategy. The campaign embraces three historic Atlanta ideas -boundless opportunity, unbridled optimism and a genuine spirit of openness.

Budget Process and Fiscal Policies

The City 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 adopt 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 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 Chairman 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. Currently, the Department of Finance sets revenue statements at 96% of the prior year's actual receipts.

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 funds. Budgets for capital projects and grant projects are adopted at the project level within departments and funds, 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 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.

The City has moved from a calendar year to a fiscal year starting July 1, 2006. The City Charter has been amended to require the adoption of a budget no later than June of the previous fiscal year.

Long Term Capital Planning

The City's approach to long term capital planning is guided by the development of the Comprehensive Development Plan (CDP) and the Capital Improvement Program (CIP). The 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 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 on municipalities 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 Atlanta Development Authority (ADA) issues limited obligation Tax Allocation District (TAD) bonds on behalf of the City. TAD bonds are not secured by the full faith and credit of the City, but are secured solely by and payable from pledged revenues. The pledged revenues are the tax allocation 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. During 2005, ADA issued TAD bonds for the Westside and Eastside projects.

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 School System. 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 School System proceeds are used to make capital improvements to school facilities.

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 2005, more than 85.9 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 to increase airfield capacity and provide additional terminal facilities required to accommodate increased operations and passenger activity at the Airport based on a master plan developed by the Airport and entitled "Hartsfield 2000 and Beyond."

Initial construction of elements of the Airport's Capital Improvement Plan began in 1999 and is expected to be completed by 2010. 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 car facility, improvements to air cargo facilities, and renovations to the existing terminal complex. The cost of the Airport CIP is currently estimated at approximately \$6.8 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 capital improvements. The majority of the water and wastewater improvements will be funded by a planned series of revenue bond issues over the next five years and rate increases for both retail and wholesale users of the City's water and wastewater system.

Cash Management Policies and Practices

It is the policy of the City to invest public funds in a manner that will provide maximum security and the best commensurate yield while meeting the daily cash flow demands of the City. The City's investments are placed primarily in government securities. These instruments include U.S. Treasury and agency securities. Other investments include depository instruments such as certificates of deposit with commercial banks, repurchase agreements and the State of Georgia Treasurer's pooled investment vehicle (Georgia Fund 1). The maturity periods for investments range from overnight to five years. The average yield to maturity on investments was 4.53 percent for 2005.

Awards and Acknowledgements

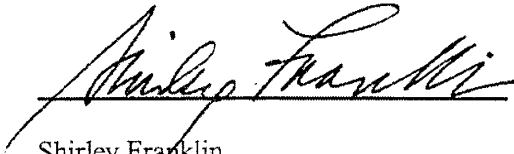
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City in connection with its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was the 20th consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its 2005 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

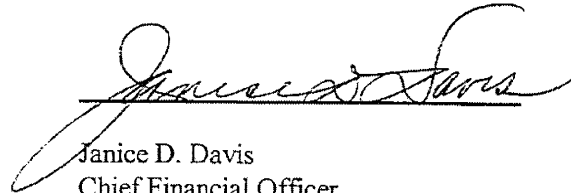
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Department of Finance and the other operating and support departments of the City. We would like to express our appreciation to all who assisted in and contributed to the 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,



Janice D. Davis
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, 2004

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



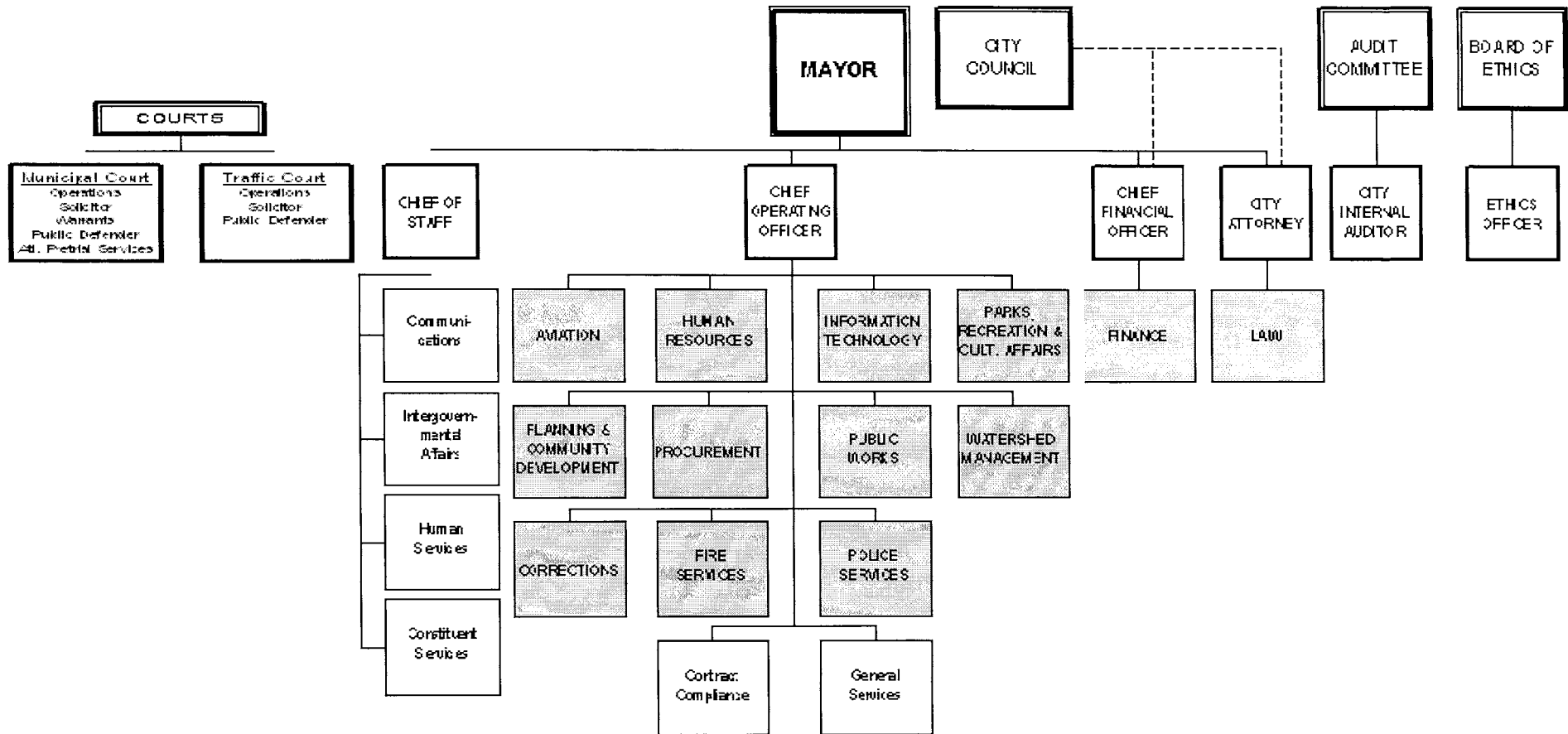
Carla E. Perry

President

Jeffrey R. Emer

Executive Director

City of Atlanta 2005 ORGANIZATION CHART



CITY OF ATLANTA OFFICIALS

EXECUTIVE

Mayor Shirley Franklin

LEGISLATIVE

City Council (Elected)

President of Council..... Lisa M. Borders

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 Moore
District 10 - C.T. Martin
District 11 - Jim Maddox
District 12 - Joyce M. Sheperd

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
Gregory Pridgeon

Chief Financial Officer
Janice D. Davis

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

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Financial Section

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, 2005, 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 Atlanta Fulton County Recreation Authority, the Atlanta Empowerment Zone and the Atlanta Development Authority, each being discretely presently component units, which collectively represent total assets of approximately 3.88% as of December 31, 2005 and total revenues of approximately 4.10% for the year then ended. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for those entities and funds is based solely on the reports of other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Atlanta, Georgia, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund and Debt Service 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 July 14, 2006, on our consideration of the City of Atlanta Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



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

The management's discussion and analysis and a schedule of funding progress on pages 3 through 15 and 101, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States. We have applied certain limited procedures to this 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 information and we express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and the statistical section, all as listed in the accompanying table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Banks, Fuley White & Co.
July 14, 2006.

Management's Discussion and Analysis

As management of the City of Atlanta (the "City"), Georgia we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iv-xi of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2005 by \$5.0 billion, that amount represents the City's net assets. Of this amount, \$516.2 billion in unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$543.9 million in 2005. Approximately two thirds of the increase is attributable to sales tax revenues, investment income, charges for services and other taxes and increase in nonoperating revenues.
- As of the close of 2005, the City's governmental funds reported combined ending fund balances of \$522.9 million, an increase of \$107.9 million in comparison with the prior year. The unreserved fund balance of \$130.9 million reflects a 1.8 % increase over the unreserved fund balance in 2004. This amount is available for spending at the government's discretion.
- At the end of 2005, the unreserved fund balance for the general fund was \$140.1 million, or 30 % of total general fund expenditures.
- The City's long-term debt increased by \$7.4 million, which is an increase of .1% during the current fiscal year. The key factors for this increase include an increase of \$127.8 million in limited obligation bonds, and increase of \$23.4 million in GEFA notes payable and an increase in General Fund capital leases of \$5.8 million. These increases were offset by decreases of \$122.2 million in airport facilities revenue bonds and a decrease of \$15.2 million in water and wastewater revenue bonds.

Overview of the Financial Statements

This discussion and analysis is 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 the net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the 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 Atlanta International Airport), Department of Watershed Management (Water and Wastewater System), Parks and Recreational Facilities, Solid Waste Services, Underground Atlanta and the Civic Center.

The government-wide financial statements include not only the City of Atlanta itself (known as the primary government), but also the 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 were 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 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 inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The City of Atlanta utilizes four generic fund types of governmental funds (see section I note C in the notes to the financial statements). The City maintains thirty-eight individual funds within the generic fund types. 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, capital projects fund and debt service fund, which are considered to be major

funds. Data from the other thirty-five 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 governmental funds financial statements immediately follow the government-wide financial statements.

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 the business-type activities of the Hartsfield-Jackson Atlanta International Airport, Water and Wastewater System, Parks and Recreational Facilities, Solid Waste Services, Underground Atlanta, 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 the 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 Atlanta International Airport), Department of Watershed Management (Water and Wastewater System), 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 proprietary funds financial statements follow the governmental funds statements.

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 fiduciary funds financial statements follow the proprietary funds statements.

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 basic financial statements in this report.

Other information. In addition to the basic financial statements, this report also presents certain *required supplementary information* concerning the City of Atlanta's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found following the notes in this report.

The combining and individual funds statements, referred to earlier in connection with non-major governmental and proprietary funds, are presented immediately following the required supplementary information on pensions.

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 \$4.9 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 2005 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2005	2004	2005	2004	Total		
	2005	2004	2005	2004	2005	2004	
Current and other assets	\$ 625,968	\$ 505,439	\$ 3,999,032	\$ 4,307,012	\$ 4,625,000	\$ 4,812,451	-3.9%
Capital assets, net of depreciation	952,973	950,513	6,133,429	5,341,156	7,086,402	6,291,669	12.6%
Total assets	1,578,941	1,455,952	10,132,461	9,648,168	11,711,402	11,104,120	5.5%
Long-term liabilities	771,778	636,740	5,551,671	5,693,491	6,323,449	6,330,231	-0.1%
Other liabilities	72,273	58,377	328,159	269,478	400,432	327,855	22.1%
Total liabilities	844,051	695,117	5,879,830	5,962,969	6,723,881	6,658,086	1.0%
Net assets							
Invested in capital assets, net of related debt	240,815	368,441	3,237,337	2,269,963	3,478,152	2,638,404	31.8%
Restricted	351,386	246,498	641,829	651,610	993,215	898,108	10.6%
Unrestricted	142,689	145,896	373,465	763,626	516,154	909,522	-43.2%
Total net assets	\$ 734,890	\$ 760,835	\$ 4,252,631	\$ 3,685,199	\$ 4,987,521	\$ 4,446,034	12.2%

At the end of the 2005 fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far the largest portion of the City's net assets (69.7 %) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debts 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's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (19.9 %) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$516.2 million) may be used to meet the government's ongoing obligations to citizens and creditors. For governmental activities, the City reported a positive balance of \$142.7 million in unrestricted net assets and for business-type activities, the City reported a positive balance of \$373.5 million in unrestricted net assets.

The City's net assets increased by \$543.9 million (12.2 %) during the current fiscal year. Approximately two thirds of the increase is attributable to higher sales tax revenues, investment income, charges for services and other taxes in the business-type activities and other non-operating revenues.

Table 2. City of Atlanta's Changes in Net Assets, Fiscal Year 2005 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government		Percentage Change
	2005	2004	2005	2004	Total		
	2005	2004	2005	2004	2005	2004	
Revenues							
Program revenues							
Charges for services	\$ 117,105	\$ 110,131	\$ 585,787	\$ 577,338	\$ 702,892	\$ 687,469	2.2%
Operating grants and contributions	51,365	48,194	-	-	51,365	48,194	6.6%
Capital grants and contributions	-	-	254,797	229,610	254,797	229,610	11.0%
General revenues							
Property taxes	182,016	198,875	-	-	182,016	198,875	-8.5%
Other taxes	207,593	168,589	102,171	20,449	309,764	189,038	
State formula aid	4,723	542	-	-	4,723	542	771.4%
Investment Income	13,171	5,022	145,900	44,452	159,071	49,474	
Other	21,814	9,657	-	-	21,814	9,657	125.9%
Total revenues	597,787	541,010	1,088,655	871,849	1,686,442	1,412,859	19.4%
Expenses:							
General government:	109,681	104,383	-	-	109,681	104,383	5.1%
Police	150,007	134,950	-	-	150,007	134,950	11.2%
Fire	69,425	63,714	-	-	69,425	63,714	9.0%
Corrections	39,028	35,107	-	-	39,028	35,107	11.2%
Public Works	81,954	68,675	-	-	81,954	68,675	19.3%
Parks, Recreation and Cultural Affairs	37,611	32,739	-	-	37,611	32,739	14.9%
Nondepartmental	97,848	62,691	-	-	97,848	62,691	56.1%
Interest on long-term debt	33,429	22,101	-	-	33,429	22,101	51.3%
Water and Wastewater System	-	-	232,514	228,554	232,514	228,554	1.7%
Department of Aviation	-	-	230,933	303,703	230,933	303,703	-24.0%
Sanitation	-	-	47,536	47,536	47,536	47,536	0.0%
Other	-	-	12,527	13,292	12,527	13,292	-5.8%
Total Expenses	618,983	524,360	523,509	593,085	1,142,493	1,117,445	2.2%
Increase (decrease) in net assets before transfers	(21,196)	16,650	565,146	278,764	543,949	295,414	84.1%
Transfers in(out)	2,349	4,208	(2,349)	(4,208)	-	-	
Increases in net assets	(18,847)	20,858	562,797	274,556	543,949	295,414	
Net Assets, Beginning of Year as previously reported	760,835	870,639	3,685,199	3,392,989	4,446,034	4,263,628	
Correction of Prior Year Error	(7,097)	(130,662)	4,635	17,654	(2,462)	(113,008)	
Net Assets, Beginning of Year as restated	753,738	739,977	3,689,834	3,410,643	4,443,572	4,150,620	
Net Assets, End of Year	\$ 734,890	\$ 760,835	\$ 4,252,631	\$ 3,685,199	\$ 4,987,521	\$ 4,446,034	

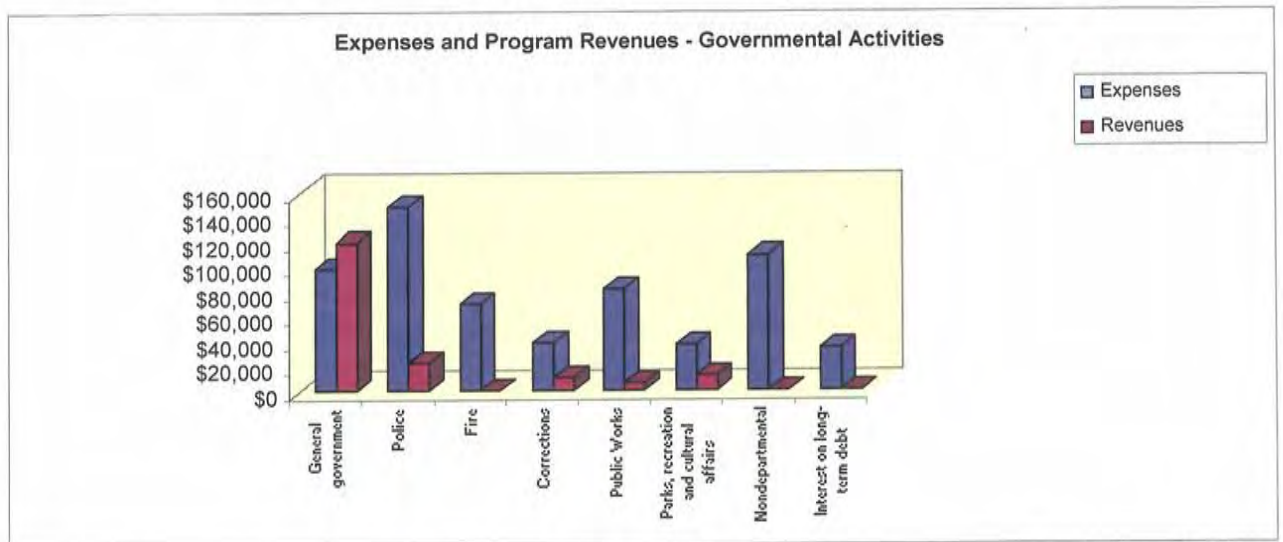
Governmental activities. Governmental activities decreased the City's net assets by \$18.8 million. Key elements of the decrease in net assets for governmental activities are as follows:

- Overall, governmental revenues increased by \$56.8 million (10.5 %), but Property taxes decreased by \$16.9 million (8.5 %) during the year. The overall increase in revenues is due to the increase in Tax Allocation District increment revenue, grant revenue, investment income and an overall increase in sales, hotel and franchise taxes as well as other various fees. Additionally, the 2004 revenues were artificially low due to the reversal of accruals which were overstated in 2003. The decrease in property tax is primarily due to the discontinuance of the tax lien sales process.
- Nondepartmental expenses increased by \$35.2 million (56.1 %) during the year. This is primarily due to an increase in, expenses associated with the implementation of the

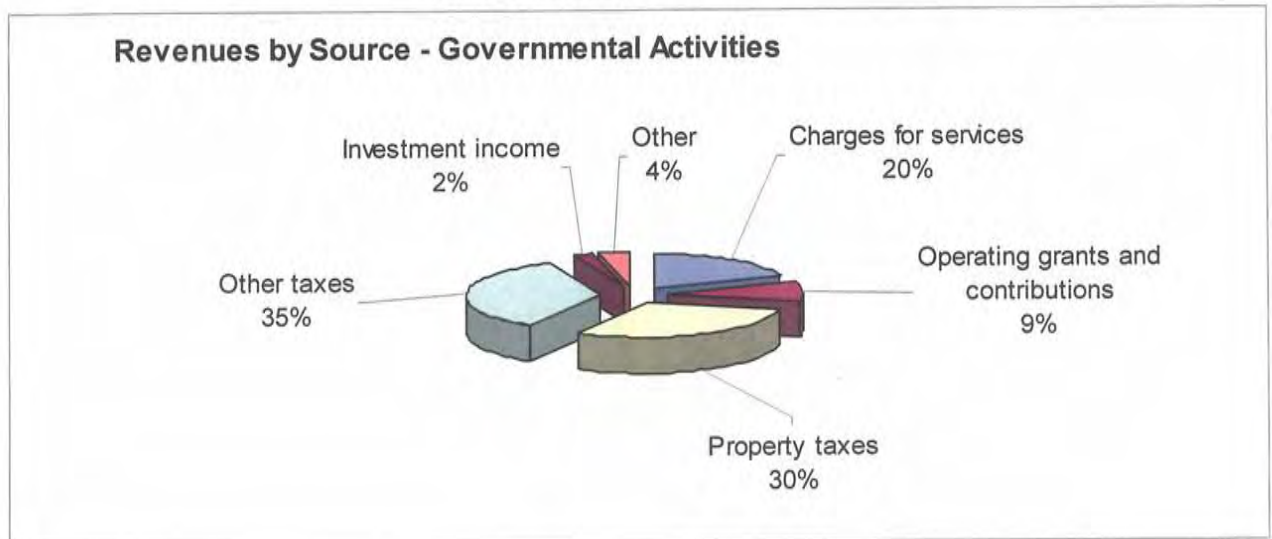
Oracle system, pension costs, increased maintenance costs for Underground Atlanta and property liquidation expenses.

- The Department of Police Services expenses increased by \$15.1 million (11.2 %) during the year due to an overall cost of living increase, the employment of additional personnel, pension costs and the purchase of radio and computer equipment for use in the patrol cars.
- Public Works expenses increased by \$13.3 million (19.3 %) during the year. This increase is primarily due to increased activity in capital projects funded with 2001 Quality of Life bond proceeds.

**Figure 1. Program Revenues Compared to Expenses, Fiscal Year 2005
(in thousands)**

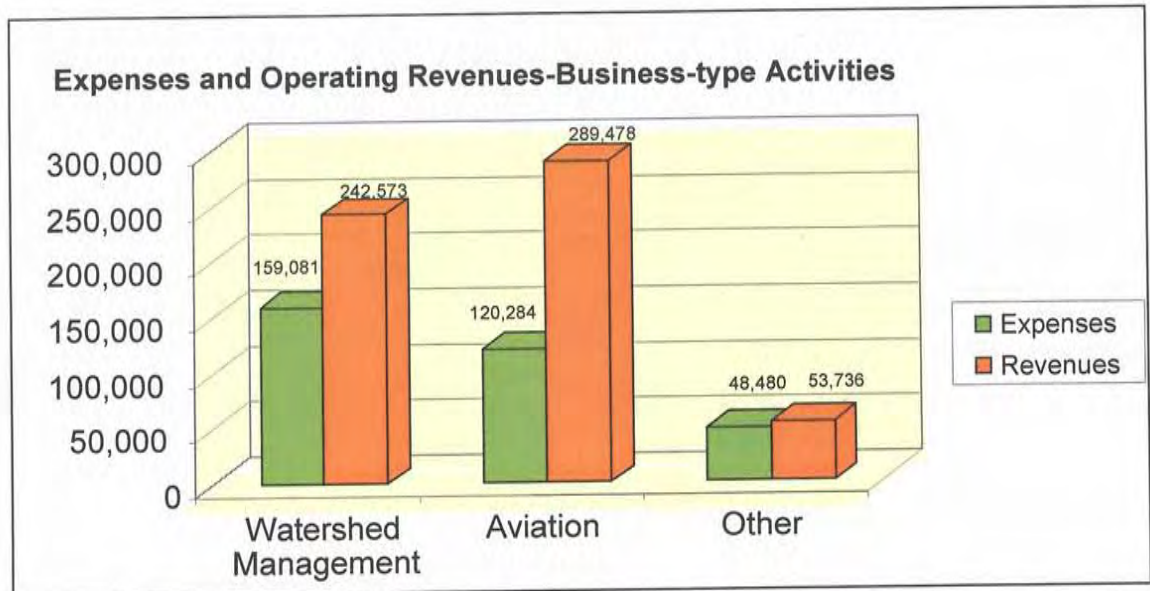


**Figure 2. Program Revenues for Governmental Activities, Fiscal Year 2005
(in thousands)**

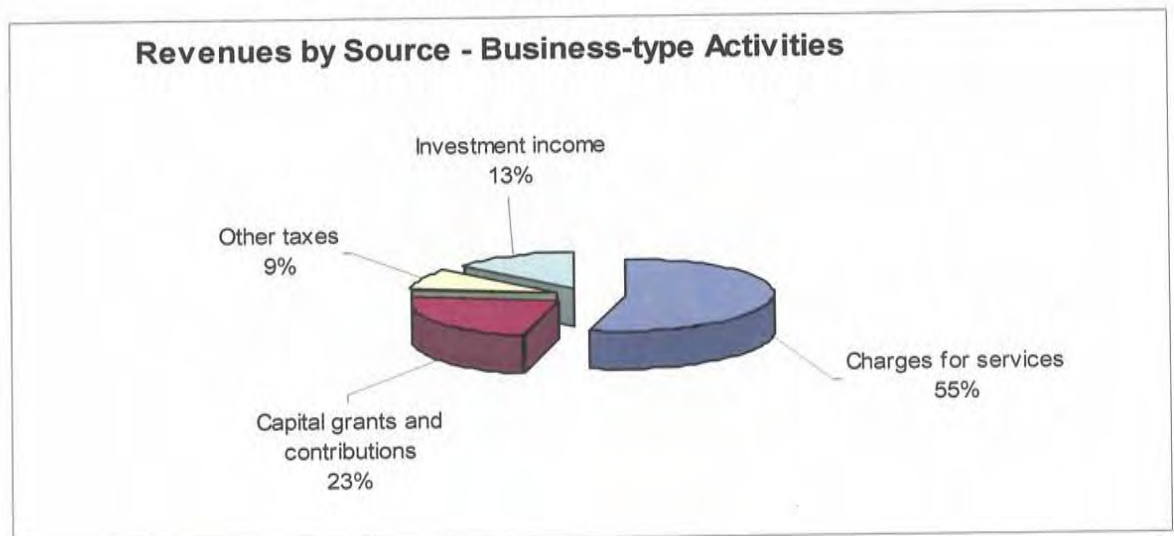


Business-type activities. Business-type activities increased the City's net assets by \$562.8 million, accounting for the 15.3 % growth in net assets.

**Figure 3. Expenses for Business-type Activities, Fiscal year 2005
(in thousands)**



**Figure 4. Program Revenues for Business-type Activities, Fiscal Year 2005
(in thousands)**



Key elements of this increase in business-type activities are as follows:

Department of Watershed Management. For the Department of Watershed Management, net assets increased by \$142.7 million.

Table 3. Watershed Management Revenues and Expenses, Fiscal years 2005 and 2004
(in thousands)

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
REVENUES			
Total operating revenues	\$ 242,573	\$ 252,007	-3.74%
Non-operating revenues	143,124	35,771	300.11%
Total revenues	<u>\$ 385,697</u>	<u>287,778</u>	34.03%
EXPENSES			
Total operating expenses	\$ 159,081	\$ 133,146	19.48%
Depreciation expenses	62,251	57,837	7.63%
Non-operating expenses	11,554	38,414	-69.92%
Total expenses	<u>\$ 232,886</u>	<u>\$ 229,397</u>	1.52%

Total revenue increased 34% for 2005. The increase is the result primarily of additional 1% Municipal Option Sales Tax revenues being earned for the year and an increase in investment income during 2005.

Total expenses increased by 1.5% from 2004, due largely to increases in personnel costs offset by greater use of capitalized interest.

Department of Aviation. Total net assets for the year 2005 increased by approximately \$418.1 million, an increase of 15.9% over 2004. This increase over prior year's changes in net assets is primarily due to a significant increase in nonoperating revenues and a decrease in interest expense.

The restricted portion of the Airport's net assets represents bond reserve funds that are subject to external restrictions on how they can be used under bond ordinances and Passenger Facility 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 11.3% increase in restricted net assets in 2005 is primarily due to Passenger Facility Charges (PFC) investments.

The remaining \$217.0 million of the unrestricted net assets may be used to meet any of the Airport's ongoing capital and operating obligations.

Table 4. Aviation Revenues and Expenses Fiscal Years 2005 and 2004
(in thousands)

	<u>2005</u>	<u>2004</u>	<u>% Change</u>
REVENUES			
Operating Revenues	\$ 289,478	\$ 273,575	5.81%
Interest Income	104,963	28,906	263.12%
Other Income	170,199	161,014	5.70%
Total Revenues	<u>\$ 564,640</u>	<u>\$ 463,495</u>	21.82%
EXPENSES			
Operating Expenses	120,284	117,868	2.05%
Interest Expenses	61,275	97,922	-37.42%
Other non-operating expenses	-	24,426	-100.00%
Depreciation and amortization	49,572	63,944	-22.48%
Total expenses	<u>\$ 231,131</u>	<u>\$ 304,160</u>	-24.01%

Operating revenues are diverse and consist primarily of inside concession revenues, parking and ground transportation revenues, and airline revenues, which include landing fees, terminal rentals, reimbursed expenses and other revenues.

Operating revenues in 2005 were 5.8% higher than reported in 2004. The increase can be attributed to increases in inside concessions revenues, parking and insurance cost recovery revenues and other revenues. These increases were offset by decreases in operations charges and other building rental revenues.

Total revenues consist of operating revenue, investment income and other income that include PFC revenue. The total revenues in 2005 were 21.82 % higher than in 2004.

In 2005 total expenses decreased by \$73.0 million or 24.0 % less than 2004 expenses. This is due in part to a \$36.6 million dollar or 37.4% reduction in interest expenses due to the utilization of additional capitalized interest relating to construction projects, a 100.0% reduction in litigation, settlements & claims expenses, and \$14.4 million decrease in depreciation and amortization 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's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, the *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2005, the City's governmental funds reported combined ending fund balances of \$523.0 million, an increase of \$107.9 million in comparison to prior year. Of this amount, \$131.0 million constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts and purchase orders of the period (\$40.6 million), 2) to fund ongoing programs (\$207.0 million), 3) to fund ongoing and future projects (\$104.5 million), 4) to pay debt service (\$39.8 million).

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 \$140.1 million, while total fund balance reached \$146.0 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 29.5 % of total general fund expenditures, while total fund balance represents 30.8 % of that same amount.

The debt service fund has a total fund balance of \$39.8 million, all of which is reserved for the payment of debt service. The net increase in fund balance for the debt service fund was \$2.3 million or 6.0 %.

Proprietary funds. The statements of the City'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 Department of Aviation at the end of the year amounted to \$217.0 million. The unrestricted net assets for the Department of Watershed Management amounted to \$204.9 million.

The total growth in net assets for proprietary funds was \$561.5 million over prior year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Total 2005 general fund revenues on a non-GAAP budgetary basis were \$449.9 million, 8.33 % greater than the original budgetary revenue anticipations. Some of the excess is due to a conservative anticipation setting strategy in the budget process. Other differences were the increased collection of sales, hotel and utility franchise taxes, business licenses and permit fees which came in at levels greater than anticipated.

Expenditures, on a non-GAAP budgetary basis for 2005, were \$474.7 million. This represented an expenditure of 89 % of budgeted appropriations. Expenses were less than budget due to cost containment efforts and the implementation of the Charter reserve requirement, which for 2005 set aside 5 % 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 additional positions for public safety and roll back of \$7 million.

Capital Asset and Debt Administration

Capital assets. The City of Atlanta's investment in capital assets (before reductions for debt service) for its governmental and business type activities as of December 31, 2005, amounts to \$7.1 billion, net of accumulated depreciation. This investment in capital assets includes land, buildings and systems, improvements, construction in progress, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was \$794.7 million or 12.6%.

Major capital asset events during the current fiscal year included the following:

- Construction in process increased by \$519.6 million or 29.9% mainly due to construction projects in the Departments of Aviation and Watershed Management. About \$441.2 million or 85% of the increase relates to the Department of Aviation's ongoing Capital Improvement Plan particularly the near completed Runway 10/28.
- Buildings and building improvements increased by \$194.8 million mainly due to various additions and improvement of buildings in the Departments of Aviation and Watershed Management.

Capital assets, net of depreciation, for the governmental and business-type activities are presented as follows:

Table 5. City of Atlanta's Capital Assets, Net of Depreciation, Fiscal year 2005 (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
					Total	
	2005	2004	2005	2004	2005	2004
Land	\$ 63,759	\$ 60,346	\$ 932,313	\$ 902,886	\$ 996,072	\$ 963,232
Buildings and bldg improvements	267,789	264,325	2,443,701	2,252,348	2,711,490	2,516,673
Land improvements	9,132	9,661	487,585	412,272	496,717	421,933
Other property and equipment	47,950	51,618	57,771	69,847	105,721	121,465
Infrastructure	522,860	534,469	-	-	522,860	534,469
Construction in progress	41,483	30,094	2,212,059	1,703,803	2,253,542	1,733,897
Total	<u>\$ 952,973</u>	<u>\$ 950,513</u>	<u>\$ 6,133,429</u>	<u>\$ 5,341,156</u>	<u>\$ 7,086,402</u>	<u>\$ 6,291,669</u>

Additional information of the City's capital assets can be found in Note III.C in the Notes to the Financial Statements.

Long term debt. The City's long-term debt increased by \$7.4 million, which is an increase of .1% during the current fiscal year. The key factors for this increase include an increase of \$127.8 million in limited obligation bonds, and increase of \$23.4 million in GEFA notes payable and an increase in General Fund capital leases of \$5.8 million. These increases were offset by decreases of \$122.2 million in airport facilities revenue bonds and a decrease of \$15.2 million in water and wastewater revenue bonds.

Table 6. City of Atlanta's Outstanding Long-Term Debt Fiscal Year 2005 (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
General obligation and annual bonds	\$ 283,865	\$ 290,365	\$ -	\$ -	\$ 283,865	\$ 290,365
Premium on bonds	6,221	-	-	-	6,221	-
SWMA revenue refunding bonds	23,035	23,965	-	-	23,035	23,965
Limited obligation bonds	218,740	90,935	-	-	218,740	90,935
Discount on bonds	(1,581)	-	-	-	(1,581)	-
Section 108 loans	9,515	11,250	-	-	9,515	11,250
Certificates of participation	166,528	165,557	-	-	166,528	165,557
Water and wastewater revenue bonds	-	-	2,542,765	2,558,000	2,542,765	2,558,000
Premium on bonds	-	-	38,881	39,867	38,881	39,867
GEFA notes payable	-	-	23,373	-	23,373	-
Airport facilities revenue bonds	-	-	2,805,127	2,927,307	2,805,127	2,927,307
Issuance discount and refunding losses	-	-	662	1,521	662	1,521
Underground Atlanta	-	-	61,280	65,330	61,280	65,330
Capital leases						
General fund	5,835	-	-	-	5,835	-
Water and wastewater system	-	-	20,520	22,299	20,520	22,299
Sanitation fund	-	-	2,205	3,217	2,205	3,217
	<u>\$ 712,158</u>	<u>\$ 582,072</u>	<u>\$ 5,494,813</u>	<u>\$ 5,617,541</u>	<u>\$ 6,206,971</u>	<u>\$ 6,199,613</u>

The City's underlying ratings for its bond issuances at the end of the fiscal year were as follows:

Table 7. City of Atlanta Bond Rating Fiscal 2005

CITY OF ATLANTA MUNICIPAL BOND RATINGS			
TYPE BONDS	MUNICIPAL CREDIT RATING		
	Moody's Investors Service	Standard & Poor's	Fitch
GENERAL OBLIGATION BONDS			
Insured Rating	Aaa	AAA	
Underlying Rating	Aa3	AA-	
WATER AND WASTEWATER REVENUE BONDS			
Insured Rating	Aaa	AAA	AAA
Underlying Rating	Baa1	A	BBB+
HARTSFIELD-JACKSON ATLANTA INTERNATIONAL AIRPORT REVENUE BONDS			
Insured Rating	Aaa	AAA	AAA
Underlying Rating	A1	A+	A+

State statutes limit the amount of general obligation debt a governmental entity may issue to 8 % of its total assessed valuation. The current debt limitation for the City of Atlanta is \$1.3 billion, which is significantly in excess of the City of Atlanta's outstanding general obligation debt. See the Computation of Legal Debt Margin in the Statistical Section of this report.

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

Economic Factors and Next Year's Budgets and Rates

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.

In 2006, Atlanta's economic outlook is expected to continue the positive trends and favorable performance observed in 2005. Unemployment has declined and inflation has held steady. Metro Atlanta's housing market is maintaining stable growth despite forecasts of a slowdown across the nation. The commercial rental market has shown indications of improvement. Hotel demand is rising due to increased business and leisure travel to Atlanta. However, mirroring national trends, Atlanta's economy will still be subject to the impact of rising gas prices.

Both property tax and sales tax are expected to continue steady upward trends. In addition, revenue from business license and permits are expected to continue to grow in line with increased in town development activity.

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, 11100 City Hall Tower, 68 Mitchell St., SW., Atlanta, Georgia 30303.

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Basic Financial Section

CITY OF ATLANTA, GEORGIA

Statement of Net Assets

December 31, 2005

(In Thousands)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 30,387	\$ 12,871	\$ 43,258	\$ 8,979
Restricted cash	-	73,355	73,355	14,789
Investments in pooled investment fund	111,651	485,326	596,977	-
Investments	275,876	-	275,876	5,791
Receivables (net of allowances for uncollectibles)	106,212	67,246	173,458	8,491
Due from other governments	8,899	15,792	24,691	82
Internal balances	(6,452)	6,452	-	-
Inventories	-	13,256	13,256	225
Other restricted assets	-	60,753	60,753	-
Prepaid expenses and other assets	-	3,879	3,879	296
Total current assets	<u>526,573</u>	<u>738,930</u>	<u>1,265,503</u>	<u>38,653</u>
Noncurrent assets:				
Restricted cash	-	-	-	97,332
Restricted investments	65,220	2,973,657	3,038,877	30,522
Capital assets:				
Land and construction in progress	105,242	3,144,372	3,249,614	43,044
Other capital assets, net of depreciation	324,871	2,989,057	3,313,928	240,856
Infrastructure, net of depreciation	522,860	-	522,860	-
Investments in joint venture	-	77,945	77,945	-
Investments in escrow	32,250	-	32,250	-
Other assets	1,925	208,500	210,425	15,084
Long-term receivable	-	-	-	8,159
Total noncurrent assets	<u>1,052,368</u>	<u>9,393,531</u>	<u>10,445,899</u>	<u>434,997</u>
Total Assets	<u>1,578,941</u>	<u>10,132,461</u>	<u>11,711,402</u>	<u>473,650</u>
LIABILITIES				
Current liabilities				
Accounts payable	49,014	60,944	109,958	8,486
Accrued expenses, vacations, and compensatory pay	28,009	14,748	42,757	8
Claims payable	13,587	7,993	21,580	-
Contract retentions	1,133	10,627	11,760	-
Due to other governments	4,714	450	5,164	-
Other liabilities	-	4,069	4,069	12,164
Deferred revenues	4,069	-	4,069	1,688
Notes payable	-	26,695	26,695	-
Liabilities payable from restricted assets	-	156,602	156,602	15,966
Current portion of long-term debt	30,020	62,907	92,927	18,328
Current portion of other liabilities	5,173	5,986	11,159	-
Current portion of capital leases	1,336	2,910	4,246	-
Total current liabilities	<u>137,055</u>	<u>353,931</u>	<u>490,986</u>	<u>56,640</u>
Noncurrent liabilities				
Noncurrent portion of long-term debt	677,884	5,409,181	6,087,065	351,378
Noncurrent portion of capital leases	4,499	19,815	24,314	-
Deferred revenue	-	6,437	6,437	-
Other long-term liabilities	24,613	90,466	115,079	15,874
Total Liabilities	<u>844,051</u>	<u>5,879,830</u>	<u>6,723,881</u>	<u>423,892</u>
NET ASSETS				
Invested in capital assets, net of related debt	240,815	3,237,337	3,478,152	12,836
Restricted for:				
Debt service	39,818	76,817	116,635	-
Programs	207,039	-	207,039	11,541
Capital projects	104,529	565,012	669,541	-
Unrestricted	142,689	373,465	516,154	25,381
Total Net Assets	<u>\$ 734,890</u>	<u>\$ 4,252,631</u>	<u>\$ 4,987,521</u>	<u>\$ 49,758</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Activities
For the Year Ended December 31, 2005
(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	\$ 109,681	\$ 77,279	\$ 42,077	\$ -
Police	150,007	22,417	51	-
Fire	69,425	346	5	-
Corrections	39,028	9,548	30	-
Public Works	81,954	5,084	287	-
Parks, Recreation and Cultural Affairs	37,611	2,431	8,915	-
Nondepartmental	97,848	-	-	-
Interest on long-term debt	33,429	-	-	-
Total Governmental activities	618,983	117,105	51,365	-
Business-type activities				
Watershed Management	232,514	242,573	-	-
Aviation	230,933	289,478	-	254,797
Sanitation	46,268	49,351	-	-
Parks and Recreational Facilities	1,134	564	-	-
Underground Atlanta	11,015	2,414	-	-
Civic Center	1,647	1,407	-	-
Total Business-type activities	523,509	585,787	-	254,797
Total Primary Government	\$ 1,142,493	\$ 702,892	\$ 51,365	\$ 254,797
Component Units -	\$ 75,915	\$ 47,121	\$ 14,435	\$ 811

General revenues:

Taxes:

Property Taxes Levied for general purposes

Property Taxes. Levied for debt service

Local and Municipal 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 errors

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	Component Units
\$ 9,675		\$ 9,675	
(127,539)		(127,539)	
(69,074)		(69,074)	
(29,450)		(29,450)	
(76,583)		(76,583)	
(26,265)		(26,265)	
(97,848)		(97,848)	
<u>(33,429)</u>		<u>(33,429)</u>	
<u>(450,513)</u>		<u>(450,513)</u>	
	\$ 10,059	10,059	
	313,342	313,342	
	3,083	3,083	
	(570)	(570)	
	(8,601)	(8,601)	
	<u>(240)</u>	<u>(240)</u>	
	317,075	317,075	
<u>(450,513)</u>	<u>317,075</u>	<u>(133,439)</u>	
			\$ (13,548)
127,738	-	127,738	-
54,278	-	54,278	-
90,488	102,171	192,659	4,549
37,534	-	37,534	-
79,571	-	79,571	-
4,723	-	4,723	-
13,171	145,900	159,071	971
<u>21,814</u>	<u>-</u>	<u>21,814</u>	<u>4,301</u>
429,317	248,071	677,388	9,821
<u>2,349</u>	<u>(2,349)</u>	<u>0</u>	<u>-</u>
<u>431,666</u>	<u>245,722</u>	<u>677,388</u>	<u>9,821</u>
<u>(18,847)</u>	<u>562,797</u>	<u>543,949</u>	<u>(3,727)</u>
760,835	3,685,199	4,446,034	62,331
<u>(7,097)</u>	<u>4,635</u>	<u>(2,462)</u>	<u>(8,846)</u>
<u>753,738</u>	<u>3,689,834</u>	<u>4,443,572</u>	<u>53,485</u>
<u>\$ 734,890</u>	<u>\$ 4,252,631</u>	<u>\$ 4,987,521</u>	<u>\$ 49,758</u>

CITY OF ATLANTA, GEORGIA

Balance Sheet
Governmental Funds
December 31, 2005
(In Thousands)

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,749	\$ 3	\$ 4	\$ 19,357	\$ 30,113
Investments in pooled investment fund	30,489	14,938	-	53,819	99,246
Investments	158	86,446	26,333	162,939	275,876
Receivables:					
Taxes	50,845	-	1,958	564	53,367
Accounts	1,501	-	-	1,418	2,919
Other	-	-	-	321	321
Due from other governments	-	-	-	8,899	8,899
Due from other funds	133,980	168	3,343	5,668	143,159
Restricted investments	-	25,591	10,138	29,491	65,220
Investments in escrow	27,823	-	-	4,427	32,250
TOTAL ASSETS	\$ 255,545	\$ 127,146	\$ 41,776	\$ 286,903	\$ 711,370
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 5,793	\$ 6,557	\$ -	\$ 5,248	\$ 17,598
Accrued liabilities, vacations, and compensatory pay	10,043	87	-	290	10,420
Contract retentions	-	702	-	431	1,133
Due to other governments	-	-	-	4,714	4,714
Due to other funds	85,454	24,671	-	32,051	142,176
Deferred revenue	8,279	-	1,958	2,111	12,348
Total Liabilities	109,569	32,017	1,958	44,845	188,389
Fund Balances (Deficit):					
Reserved for:					
Encumbrances	5,783	15,438	-	19,421	40,642
Special programs	-	-	-	207,039	207,039
Capital improvements	-	79,691	-	24,838	104,529
Debt service	-	-	39,818	-	39,818
Unreserved:					
Undesignated, reported in:					
General fund	140,193	-	-	-	140,193
Special revenue funds	-	-	-	(9,240)	(9,240)
Total fund balances	145,976	95,129	39,818	242,058	522,981
TOTAL LIABILITIES AND FUND BALANCES	\$ 255,545	\$ 127,146	\$ 41,776	\$ 286,903	\$ 711,370

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, 2005
 (In Thousands)

Total fund balances \$ 522,981

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:

	\$		
Taxes receivable		10,540	
Accounts receivable		6,580	
Allowance for uncollectible receivables		<u>(4,983)</u>	12,137

Other liabilities are not recognized as current year revenues and, therefore, are classified as deferred in the above funds 8,279

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

Land and construction in progress		105,242	
Cost of Capital Assets		2,298,760	
Less: Accumulated Depreciation		<u>(1,451,029)</u>	952,973

Other assets includes amounts that used current financial resources at the fund level but will be offset against to future revenues in the government-wide statements

Deferred costs 344

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.

Net assets for internal service fund 9,817 9,817

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

General obligation and annual bonds		(283,865)	
SWMA revenue refunding bonds		(23,035)	
Limited obligation bonds		(218,740)	
Section 108 loans		(9,515)	
Capital Leases		(5,835)	
Certificates of participation		(166,528)	
Unamortized premiums (discounts) on bond issues		(4,640)	
Vacation pay		(20,692)	
General claims payable		(18,580)	
Workers' compensation		<u>(20,211)</u>	<u>(771,641)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 734,890

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2005
(In Thousands)

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 125,407	\$ -	\$ 27,182	\$ 27,096	\$ 179,685
Local option sales taxes	90,488	-	-	-	90,488
Public utility, alcoholic beverage and other taxes	122,015	-	-	-	122,015
Licenses and permits	58,285	-	-	-	58,285
Charges for current services	6,459	-	-	15,117	21,576
Fines, forfeitures and penalties	15,611	-	-	2,284	17,895
Investment income	4,464	3,566	1,241	3,655	12,926
Intergovernmental revenues and contributions:					
Federal revenues	-	-	-	30,480	30,480
State and local grants and contributions	-	-	-	20,500	20,500
Other	4,723	-	-	-	4,723
Building rentals and concessions	11,339	-	-	-	11,339
Other	11,105	-	991	14,488	26,584
Total revenues	<u>449,896</u>	<u>3,566</u>	<u>29,414</u>	<u>113,620</u>	<u>596,496</u>
EXPENDITURES					
Current:					
General government:	85,195	10,280	-	27,553	123,028
Police	142,900	-	-	6,550	149,450
Fire	63,969	2,283	-	1,234	67,486
Corrections	37,958	-	-	720	38,678
Public Works	28,757	23,562	-	7,360	59,679
Parks, Recreation and Cultural Affairs	27,706	1,182	-	13,876	42,764
Nondepartmentals	73,311	18,679	-	16,189	108,179
Debt Service:					
Principal payments	6,793	-	14,875	4,905	26,573
Interest payments	8,064	5,446	12,262	6,934	32,706
Bond issuance costs	3	-	15	705	723
Total Expenditures	<u>474,656</u>	<u>61,432</u>	<u>27,152</u>	<u>86,026</u>	<u>649,266</u>
Excess (deficiency) of revenues over expenditures	<u>(24,760)</u>	<u>(57,866)</u>	<u>2,262</u>	<u>27,594</u>	<u>(52,770)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	3,630	11,049	-	131,130	145,809
Capital leases	7,097	-	-	-	7,097
Premium on bonds sold	-	6,221	-	-	6,221
Discount on bonds sold	-	-	-	(1,581)	(1,581)
Refunding bonds issued	-	85,980	-	-	85,980
Payment to refunded bond escrow agent	-	(85,605)	-	-	(85,605)
Proceeds from sale of assets	1,600	-	-	-	1,600
Transfers in (out)	6,815	3,212	-	(8,878)	1,149
Net change in fund balances	(5,618)	(37,009)	2,262	148,265	107,900
Fund Balance:					
Beginning of the year, as previously reported	157,702	132,138	37,556	93,793	421,189
Correction of prior year error	(6,108)	-	-	-	(6,108)
Beginning of the year, as restated	<u>151,594</u>	<u>132,138</u>	<u>37,556</u>	<u>93,793</u>	<u>415,081</u>
FUND BALANCE, END OF YEAR	<u>\$ 145,976</u>	<u>\$ 95,129</u>	<u>\$ 39,818</u>	<u>\$ 242,058</u>	<u>\$ 522,981</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, 2005
(In Thousands)

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

Net change in fund balance - total governmental funds	\$	107,900
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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 revenues	\$	(3,674)	
Business License		<u>1,264</u>	(2,410)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the above funds	2,331
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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	53,159	
Disposal of assets	(2,283)	
Depreciation Expense	<u>(47,751)</u>	3,125

Governmental funds report certain expenditures as applied against current financial resources that will be offset against future revenues in the statement of activities as transactions upon the occurrence of these transactions.

Deferred Costs	344
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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	(144,228)	
Proceeds from refunding of debt	(92,201)	
Proceeds from capital leases	(7,097)	
Payment of refunded debt	85,605	
Repayment of long-term debt	26,573	
Repayment of capital lease	<u>1,262</u>	(130,086)

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.

4,853

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	(2,881)	
Compensated absences	933	
Long-term worker's compensation	<u>(2,956)</u>	(4,904)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(18,847)</u>
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The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property taxes	\$ 136,308	\$ 136,308	\$ 134,683	\$ (1,625)
Sales, public utility, alcoholic beverage, and other taxes	187,923	187,923	208,983	21,060
Licenses and permits	53,505	53,505	58,061	4,556
Intergovernmental revenues:				-
State and local grants and contributions	525	525	570	45
Charges for services:				-
Recreation fees and other	5,356	5,356	6,537	1,181
Fines, forfeitures, and penalties	19,418	28,686	28,112	(574)
Revenues from use of money and property:				-
Investment income	496	496	2,809	2,313
Building rentals and concessions	2,242	2,242	1,206	(1,036)
Other Income	<u>38,657</u>	<u>39,019</u>	<u>38,989</u>	<u>(30)</u>
Total revenues	<u>444,430</u>	<u>454,060</u>	<u>479,950</u>	<u>25,890</u>

CITY OF ATLANTA, GEORGIA

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual For the Year Ended December 31, 2005

(In Thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES				
Current:				
General government:				
Executive offices	\$ 15,320	\$ 19,984	\$ 13,510	\$ 6,474
Personnel and human resources	4,268	4,421	3,680	741
City Council	5,767	9,815	5,100	4,715
Courts and judicial agencies	22,515	23,427	21,133	2,294
Finance	13,494	12,571	12,215	356
Planning and Community Development	13,271	17,634	12,902	4,732
Law	5,382	5,070	4,991	79
Procurement	2,729	2,360	2,173	187
Total general government	82,746	95,282	75,704	19,578
Public safety:				
Police	159,176	149,861	147,973	1,888
Fire	67,876	65,855	64,213	1,642
Corrections	37,127	37,686	35,812	1,874
Total public safety	264,179	253,402	247,998	5,404
Public Works	31,286	30,716	29,187	1,529
Parks, Recreation, and Cultural Affairs	25,178	27,480	25,771	1,709
Nondepartmental expenditures	114,400	112,512	106,821	5,691
Debt service fund:				
Bond principal payments	13,852	13,852	5,464	8,388
Interest on bonds	4,700	4,700	9,555	(4,855)
Total debt service	18,552	18,552	15,019	3,533
Total expenditures	536,341	537,944	500,500	37,444
Excess of revenues over expenditures	(91,911)	(83,884)	(20,550)	63,334
OTHER FINANCING SOURCES (USES):				
Proceeds from general long-term debt				
Transfers in	8,615	8,615	19,972	11,357
Transfers out	-	-	-	-
Total other financial sources and uses	8,615	8,615	19,972	11,357
Excess of revenues and other sources over expenditures and other uses	(83,296)	(75,269)	(578)	\$ (74,691)
Reconciliation to GAAP basis:				
To record effect of net changes in unrecorded assets	-	-	(5,598)	
To record effect of net changes in unrecorded liabilities	-	-	558	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(83,296)	(75,269)	(5,618)	
Fund balance, beginning of year				
Beginning of the year, as previously reported	83,296	83,296	157,702	
Correction of prior year error	-	-	(6,108)	
Beginning of year, as restated	83,296	83,296	151,594	
Fund balance, end of year	\$ -	\$ 8,027	\$ 145,976	

CITY OF ATLANTA, GEORGIA
Debt Service Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES				
Taxes				
Property Taxes	\$ 27,295	\$ 27,282	\$ 28,273	\$ 991
Miscellaneous Expenses				
Interest Earnings	-	-	1,241	1,241
Other	-	2,331	99	(2,232)
Total revenues	<u>27,295</u>	<u>29,613</u>	<u>29,613</u>	<u>-</u>
EXPENDITURES				
Current:				
Nondepartmental	<u>27,295</u>	<u>27,295</u>	<u>27,250</u>	<u>45</u>
Total expenditures	<u>27,295</u>	<u>27,295</u>	<u>27,250</u>	<u>45</u>
Excess of revenues and other sources over expenditures and other uses	-	2,318	2,363	<u>\$ 45</u>
Reconciliation to GAAP basis:				
To record effect of net changes in unrecorded assets	-	-	(199)	
To record effect of net changes in unrecorded liabilities	-	-	98	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	-	2,318	2,262	
Fund balance - beginning	<u>37,445</u>	<u>37,445</u>	<u>37,556</u>	
Fund balance - ending	<u>\$ 37,445</u>	<u>\$ 39,763</u>	<u>\$ 39,818</u>	

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CITY OF ATLANTA, GEORGIA

Statement of Net Assets
Proprietary Funds
December 31, 2005
(In Thousands)

	Business Activities - Enterprise Funds				Governmental
	Water and	Department of	Other	Total	Internal Service
	Wastewater		Nonmajor		
System Fund	Aviation	Funds			
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 1,073	\$ 11,142	\$ 656	\$ 12,871	\$ 274
Restricted cash	47,137	26,218	-	73,355	-
Investments in pooled investment fund	172,957	307,765	4,604	485,326	12,405
Receivables:					
Accounts	72,488	3,614	34,528	110,630	-
Less allowance for doubtful accounts	(32,463)	(2,500)	(29,675)	(64,638)	-
Taxes	19,165	-	-	19,165	-
Interest	2,089	-	-	2,089	-
Total receivables	61,279	1,114	4,853	67,246	-
Due from other governments	13,901	1,891	-	15,792	-
Due from other funds	56,661	197,169	65	253,895	482
Inventories	11,928	1,328	-	13,256	-
Prepaid expenses	-	3,879	-	3,879	-
Restricted assets	44,338	16,415	-	60,753	-
Total current assets	409,274	566,921	10,178	986,373	13,161
Noncurrent assets:					
Investments	1,050,772	1,922,885	-	2,973,657	-
Capital assets:					
Land	60,644	488,515	23,023	572,182	136
Land purchased for noise abatement	-	360,131	-	360,131	-
Construction in progress	534,928	1,677,131	-	2,212,059	-
Land improvements	-	1,163,083	-	1,163,083	-
Buildings and other structures	2,873,420	976,908	75,429	3,925,757	5,492
Other property and equipment	95,879	79,496	44,581	219,956	20,529
Less accumulated depreciation	(1,091,586)	(1,151,043)	(77,113)	(2,319,742)	(25,012)
Capital assets, net	2,473,285	3,594,221	65,920	6,133,426	1,145
Investment in joint venture	77,945	-	-	77,945	-
Other assets	56,335	143,914	8,251	208,500	-
Total noncurrent assets	3,658,337	5,661,020	74,171	9,393,528	1,145
Total Assets	\$ 4,067,611	\$ 6,227,941	\$ 84,349	\$ 10,379,901	\$ 14,306

	Business Activities - Enterprise Funds				Governmental
	Water and Wastewater System Fund	Department of Aviation	Other Nonmajor Funds	Total	Internal Service Fund
LIABILITIES					
Liabilities:					
Current liabilities					
Accounts payable	\$ 57,566	\$ 1,974	\$ 1,404	\$ 60,944	\$ 1,409
Accrued expenses, vacations, and compensatory pay	7,140	6,372	1,235	14,747	1,479
Claims payable	7,660	333	-	7,993	-
Contract retention	10,627	-	-	10,627	-
Due to other governments	450	-	-	450	-
Deposits and advance	4,069	-	-	4,069	-
Due to other funds	53,738	178,576	19,388	251,702	456
Current maturities of long-term debt	537	-	4,225	4,762	-
Current maturities of capital leases	1,839	-	1,071	2,910	-
Current portion of other liabilities	1,608	180	4,198	5,986	-
	<u>145,234</u>	<u>187,435</u>	<u>31,521</u>	<u>364,190</u>	<u>3,344</u>
Current liabilities payable from restricted assets:					
Accounts payable	-	67,447	-	67,447	-
Accrued interest payable	19,417	51,511	-	70,928	-
Contract retention	-	16,443	-	16,443	-
Current maturities of long-term debt	24,210	33,935	-	58,145	-
Commercial notes payable	-	26,695	-	26,695	-
Deposits and advances	-	1,784	-	1,784	-
	<u>43,627</u>	<u>197,815</u>	<u>-</u>	<u>241,442</u>	<u>-</u>
Total current liabilities payable from restricted assets					
Total current liabilities	<u>188,861</u>	<u>385,250</u>	<u>31,521</u>	<u>605,632</u>	
Noncurrent liabilities					
Long-term debt, excluding current maturities	2,580,271	2,771,854	57,055	5,409,180	-
Capital lease obligations, excluding current maturities	18,681	-	1,134	19,815	-
Deferred revenue	6,437	-	-	6,437	-
Contract retention, excluding current portion	8,708	4,609	-	13,317	-
Arbitrage rebate liability	4,774	1,313	-	6,087	-
Accrued workers' compensation	4,697	527	8,809	14,033	-
Claims payable	3,232	23,045	-	26,277	-
Landfill postclosure costs	-	-	30,751	30,751	-
Total noncurrent liabilities	<u>2,626,800</u>	<u>2,801,348</u>	<u>97,749</u>	<u>5,525,897</u>	<u>-</u>
Total Liabilities	<u>2,815,661</u>	<u>3,186,598</u>	<u>129,270</u>	<u>6,131,529</u>	<u>3,344</u>
NET ASSETS (Deficit)					
Invested in capital assets, net of related debt	990,575	2,240,102	6,660	3,237,337	1,145
Restricted for:					
Debt service and Capital projects	56,467	584,291	1,071	641,829	-
Unrestricted	<u>204,908</u>	<u>216,950</u>	<u>(52,652)</u>	<u>369,206</u>	<u>9,817</u>
Total net assets (deficit)	<u>\$ 1,251,950</u>	<u>\$ 3,041,343</u>	<u>\$ (44,921)</u>	<u>\$ 4,248,372</u>	<u>\$ 10,962</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>4,259</u>	
				<u>\$ 4,252,631</u>	

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2005
(In Thousands)

	Business Activities - Enterprise Funds			Total	Governmental
	Water and Wastewater System Fund	Department of Aviation	Other Nonmajor Funds		Internal Service Fund
Operating revenues:					
Charges for services	\$ 240,362	\$ 151,536	\$ 48,473	\$ 440,371	\$ 118,166
Rentals, admissions and concessions	-	105,067	3,642	108,709	-
Other	2,211	32,875	1,621	36,707	666
Total operating revenues	242,573	289,478	53,736	585,787	118,832
Operating expenses:					
Salaries and employee benefits	77,045	56,044	22,798	155,887	90,211
Utilities	19,813	4,741	596	25,150	804
Supplies and materials	14,486	2,543	635	17,664	11,103
Repairs, maintenance and other contractual service	18,389	29,404	2,549	50,342	3,784
Motor equipment services	4,950	-	6,437	11,387	141
Engineering and consultant fees	-	-	9,656	9,656	2,131
General services	23,182	18,566	1,860	43,608	4,670
Programs services and other costs	1,216	8,986	5,111	15,313	1,270
Total operating expenses	159,081	120,284	49,642	329,007	114,114
Operating income (loss) before depreciation and amorti	83,492	169,194	4,094	256,780	4,718
Depreciation and amortization	62,251	49,572	6,462	118,285	1,310
Operating income (loss)	21,241	119,622	(2,368)	138,495	3,408
Nonoperating revenues (expenses):					
Sales tax revenue	102,171	-	-	102,171	-
Investment income	40,953	104,963	(16)	145,900	245
Interest expense	(4,364)	(61,275)	(4,661)	(70,300)	-
Passenger facility charges	-	164,833	-	164,833	-
Customer facility charges	-	5,366	-	5,366	-
Other expenses	(7,190)	-	-	(7,190)	-
Total nonoperating revenues (expenses)	131,570	213,887	(4,677)	340,780	245
Income (loss) before capital contributions	152,811	333,509	(7,045)	479,275	3,653
Capital contributions	-	84,599	-	84,599	-
Transfers in	-	-	8,929	8,929	2,200
Transfers out	(9,800)	-	(1,478)	(11,278)	(1,000)
Changes in net assets	143,011	418,108	406	561,525	4,853
Net Assets (Deficit)					
Beginning of the year, as previously reported	1,108,939	2,623,235	(49,962)	3,682,212	6,109
Correction of prior year error	-	-	4,635	4,635	-
Beginning of year, as restated	1,108,939	2,623,235	(45,327)	3,686,847	6,109
NET ASSETS (Deficit), END OF YEAR	\$ 1,251,950	\$ 3,041,343	\$ (44,921)	\$ 4,248,372	\$ 10,962
			Change in net assets	561,525	
Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds				1,273	
			Change in net assets of business-type activities	\$ 562,798	

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, 2005

(In Thousands)

	Business Activities - Enterprise Funds			Total	Governmental
	Water and Wastewater System Fund	Department of Aviation	Other Nonmajor Funds		Internal Service Fund
Cash flow from operating activities					
Cash received from user charges	\$ 240,655	\$ 288,223	\$ 53,359	\$ 582,237	\$ 119,187
Cash payments to employees for services	(76,625)	(60,319)	(23,774)	(160,718)	(89,145)
Cash payments to suppliers for goods and services	(78,513)	(69,309)	(28,378)	(176,200)	(26,946)
Net cash provided by operating activities	85,517	158,595	1,207	245,319	3,096
Cash flows from noncapital financing activities					
Transfers in	-	-	8,929	8,929	2,200
Transfers out	(9,800)	-	(1,478)	(11,278)	(1,000)
	(9,800)	-	7,451	(2,349)	1,200
Cash flows from capital and related financing activities					
Capital contributions	91,766	97,953	-	189,719	-
Principal repayments of long-term debts	(13,628)	(126,260)	(3,623)	(143,511)	-
Acquisition, construction and improvements of capital assets	(302,010)	(485,421)	(2,532)	(789,963)	(647)
Passenger and customer facility charges	-	168,407	-	168,407	-
Proceeds from bond issuance	19,000	26,695	-	45,695	-
Interest paid on revenue bonds	(130,276)	(118,357)	(4,661)	(253,294)	-
Net cash (used in) capital and related financing activities	(335,148)	(436,983)	(10,816)	(782,947)	(647)
Cash flows from investing activities					
Interest on investments	87,858	93,723	(16)	181,565	245
Purchases and sales of nonpooled investments, net	196,726	93,078	-	289,804	-
Net change in investment in pooled funds	(56,172)	(77,074)	(3,807)	(137,053)	(3,620)
Net change in investment in joint venture	(6,056)	-	-	(6,056)	-
Net cash provided by (used in) investing activities	222,356	109,727	(3,823)	328,260	(3,375)
Net change in cash and cash equivalents	(37,075)	(168,661)	(5,981)	(211,717)	274
Cash and cash equivalents, beginning of year	85,285	206,021	6,637	297,943	-
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 48,210	\$ 37,360	\$ 656	\$ 86,226	\$ 274

Continued

CITY OF ATLANTA, GEORGIA

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2005

(In Thousands)

	Business Activities - Enterprise Funds				Governmental
	Water and Wastewater System Fund	Department of Aviation	Other Nonmajor Funds	Total	Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 21,241	\$ 119,622	\$ (2,368)	\$ 138,495	\$ 3,408
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	62,251	49,572	6,462	118,285	1,310
Changes in assets and liabilities					
Receivables - net of allowance	(973)	(5)	(531)	(1,509)	-
Inventories	(347)	(189)	-	(536)	-
Due from other funds	(48,121)	-	-	(48,121)	(101)
Prepaid expenses and other assets	-	(3,736)	-	(3,737)	-
Due from other governmental units	(1,751)	-	-	(1,751)	-
Accounts payable and accrued expenses	20,600	(5,330)	(2,512)	12,758	(1,977)
Accrued interest payable	-	(1,339)	-	(1,339)	-
Claims payable	1,625	-	-	1,625	-
Deposits and advances	806	-	-	806	-
Due to other funds	30,186	-	155	30,341	456
Net cash provided by (used in) operating activities	<u>\$ 85,517</u>	<u>\$ 158,595</u>	<u>\$ 1,207</u>	<u>\$ 245,318</u>	<u>\$ 3,096</u>
Supplemental schedule of non-cash financing activities:					
Appreciation of capital appreciation bonds	<u>\$ -</u>	<u>\$ 4,080</u>	<u>\$ -</u>	<u>\$ 4,080</u>	<u>\$ -</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA

Statement of Fiduciary Net Assets

Fiduciary Funds

December 31, 2005

(In Thousands)

ASSETS

	Pension Trust Funds	Agency Fund
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 111,476	\$ 703
Investments in pooled investment fund	-	10,686
Investments:		
Equities	961,120	41
U. S. government and agency obligations	477,271	-
Corporate bonds	<u>163,403</u>	<u>-</u>
Total Investments	<u>1,601,794</u>	<u>41</u>
Securities lending collateral investment pool	218,227	-
Other receivables	17,720	-
Due from other funds	<u>34,266</u>	<u>-</u>
Total Assets	<u>\$ 1,983,483</u>	<u>\$ 11,430</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 41,320	\$ 11,430
Due to other funds	37,468	-
Liability for securities lending agreement	<u>218,227</u>	<u>-</u>
Total Liabilities	297,015	11,430
Net Assets		
Held in Trust for Pension Benefits		
(See Schedule of Funding Progress on page 86)	<u>1,686,468</u>	<u>-</u>
Total Net Assets	<u>\$ 1,686,468</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, 2005
(In Thousands)

	Pension Trust Funds
Additions	
Employer contributions	\$ 94,934
Employee contributions	25,173
Refunds and other	925
Investment income:	
Net change in	
fair value of investments	44,957
Investment income	38,735
Securities lending income	307
Less: Investment expenses	(4,873)
Securities lending expenses	(11)
Net investment loss	79,115
 Total Additions	 200,147
Deductions	
Benefit payments	108,504
Refunds	2,774
Administrative expenses	1,077
 Total Deductions	 112,355
 Change in Net Assets	 87,792
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	1,598,676
 End of Year	 \$ 1,686,468

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 acquisitions, 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.

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.

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CITY OF ATLANTA, GEORGIA
Component Units

Statement of Net Assets
December 31, 2005
(In Thousands)

	Atlanta Fulton County Recreation Authority	Atlanta Empowerment Zone Corporation	Atlanta Development Authority	<u>Totals</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,397	\$ -	\$ 7,582	\$ 8,979
Restricted cash	-	-	14,789	14,789
Short-term investments	1,648	-	4,143	5,791
Receivables:				
Accounts	288	-	-	288
Pledges	3,870	-	-	3,870
Notes receivable	-	949	-	949
Other receivable	<u>8</u>	<u>1,164</u>	<u>2,212</u>	<u>3,384</u>
Total receivables	<u>4,166</u>	<u>2,113</u>	<u>2,212</u>	<u>8,491</u>
Due from other governmental units and agencies	-	82	-	82
Inventories	225	-	-	225
Prepaid expenses and other assets	<u>187</u>	<u>-</u>	<u>109</u>	<u>296</u>
Total current assets	<u>7,623</u>	<u>2,195</u>	<u>28,835</u>	<u>38,653</u>
Restricted assets:				
Cash and cash equivalents	97,332	-	-	97,332
Investments	19,437	-	11,085	30,522
Mortgage loans receivable	-	-	8,159	8,159
Bond issues costs and discounts	4,116	-	-	4,116
Other restricted assets	<u>-</u>	<u>-</u>	<u>10,968</u>	<u>10,968</u>
Total restricted assets	<u>120,885</u>	<u>-</u>	<u>30,212</u>	<u>151,097</u>
Property and equipment - at cost:				
Land	23,204	-	3,047	26,251
Construction-in-progress	421	-	16,372	16,793
Land improvements	927	-	3,271	4,198
Buildings and improvements	276,964	-	39,373	316,337
Other property and equipment	<u>24,439</u>	<u>-</u>	<u>1,338</u>	<u>25,777</u>
	325,955	-	63,401	389,356
Less accumulated depreciation	<u>(93,947)</u>	<u>-</u>	<u>(11,509)</u>	<u>(105,456)</u>
Property and equipment, net	<u>232,008</u>	<u>-</u>	<u>51,892</u>	<u>283,900</u>
Total assets	<u>\$ 360,516</u>	<u>\$ 2,195</u>	<u>\$ 110,939</u>	<u>\$ 473,650</u>

	Atlanta Fulton County Recreation Authority	Atlanta Empowerment Zone Corporation	Atlanta Development Authority	Totals
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 4,831	\$ 138	\$ 3,517	\$ 8,486
Accrued interest payable	8	-	-	8
Notes and loans payable	1,116	-	-	1,116
Other liabilities	<u>10,806</u>	<u>-</u>	<u>242</u>	<u>11,048</u>
Total current liabilities	<u>16,761</u>	<u>138</u>	<u>3,759</u>	<u>20,658</u>
Liabilities Payable from Restricted Assets:				
Current maturities of long-term debt	18,122	-	206	18,328
Accrued interest payable	-	-	3,459	3,459
Other liabilities	918	-	11,589	12,507
Deferred revenues	<u>261</u>	<u>-</u>	<u>1,427</u>	<u>1,688</u>
Total liabilities payable from restricted assets	<u>19,301</u>	<u>-</u>	<u>16,681</u>	<u>35,982</u>
Long-Term Liabilities:				
Long-term debt, excluding current maturities	294,130	-	57,248	351,378
Other liabilities	<u>-</u>	<u>-</u>	<u>15,874</u>	<u>15,874</u>
Total liabilities	<u>330,192</u>	<u>138</u>	<u>93,562</u>	<u>423,892</u>
NET ASSETS				
Investment in capital assets, net of related debt	26,993	-	(14,157)	12,836
Restricted for grant programs	-	1,523	10,018	11,541
Unrestricted	<u>3,331</u>	<u>534</u>	<u>21,516</u>	<u>25,381</u>
Total net assets	<u>\$ 30,324</u>	<u>\$ 2,057</u>	<u>\$ 17,377</u>	<u>\$ 49,758</u>

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA
Component Units

Statement of Activities
For the Year Ended December 31, 2005
(In Thousands)

Functions/Programs	Program Revenues				Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets			TOTALS
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Business-type Activities			
						Atlanta Fulton County Recreation Authority	Atlanta Empowerment Zone	Atlanta Development Authority	
Component Units									
Governmental activities:									
Atlanta Empowerment Zone:									
General government	\$ 308	\$ 120	\$ 487	\$ -	\$ 299	\$ -	\$ -	\$ -	\$ 299
Total Governmental activities	308	120	487	-	299	-	-	-	299
Business-type activities									
Atlanta Fulton County Recreation Authority	51,717	30,485	12,751	-		(8,481)	-	-	(8,481)
Atlanta Empowerment Zone	685	39	-	-		-	(646)	-	(646)
Atlanta Development Authority	23,205	16,477	1,197	811		-	-	(4,720)	(4,720)
Total Business-type activities	75,607	47,001	13,948	811		(8,481)	(646)	(4,720)	(13,847)
Total Component Units	\$ 75,915	\$ 47,121	\$ 14,435	\$ 811	299	(8,481)	(646)	(4,720)	(13,548)
General revenues:									
Other taxes					-	4,549	-	-	4,549
Investment income					-	805	-	166	971
Other					-	315	-	3,986	4,301
Total General revenues					-	5,669	-	4,152	9,821
Change in net assets					299	(2,812)	(646)	(568)	(3,727)
Net assets - beginning of year, as previously reported					9,091	33,136	2,159	17,945	62,331
Correction of prior year errors					(8,846)	-	-	-	(8,846)
Net assets - beginning of year, as restated					245	33,136	2,159	17,945	53,485
NET ASSETS - END OF YEAR					\$ 544	\$ 30,324	\$ 1,513	\$ 17,377	\$ 49,758

The accompanying notes are an integral part of the statements.



**Notes to
Financial Statements**

CITY OF ATLANTA, GEORGIA
Notes to the Financial Statements
For the Year Ended December 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
I. Summary of Significant Accounting Policies	39
A. Reporting Entity	39
B. Government-Wide and Fund Financial Statements	42
C. Measurement Focus and Basis of Accounting	43
D. Assets, Liabilities and Net Assets or Equity	45
E. New Accounting Pronouncements	51
II. Stewardship, Compliance and Accountability	52
A. Budgets and Budgetary Accounting	52
B. Excess of Expenditures Over Appropriations	54
C. Deficit Fund Equity	54
III. Detailed Notes on All Funds	54
A. Deposits and Investments	54
B. Property Taxes and Other taxes	61
C. Capital Assets	63
D. Interfund Assets, Payables, and Transfers	64
E. Leases	65
F. Notes Payable	68
G. Long Term Obligations	69
H. Reserved Net Assets and Restricted Assets	85
IV. Other Information	86
A. Risk Management	86
B. Employee Retirement Systems and Pension Plans	87
C. Commitments and Contingent Liabilities	93
D. Correction of Prior Period Errors	98
E. Subsequent Events	99

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CITY OF ATLANTA, GEORGIA

Notes to Financial Statements
Year ended December 31, 2005

I. 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 herein.

A. Reporting Entity

The Financial Reporting Entity

The City of Atlanta, Georgia 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 have a December 31 year end.

Blended Component Units

The Urban Design Commission ("UDC") and 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 a 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. UDC did not have any financial activity during 2005. SWMA's capital projects fund is reported as a capital projects fund of the City. Separate financial statements are not prepared for the blended component units.

Discretely Presented Component Units

The component unit column in the government-wide financial statements includes the Atlanta 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 while AEZC and ACCC are accounted for as governmental fund types in the fund-level financial statements.

Notes to the Financial Statements - Continued

A. Reporting Entity, 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 Atlanta Fulton County Recreation Authority, 755 Hank Aaron, Atlanta, Georgia 30315.

The City and Fulton County (the "County"), by contractual agreement with the Recreation Authority will 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 2005 that required funding by the City or County.

The financial statements of the Recreation Authority consolidate the operations of the Zoo with its operations of the Stadium and Arena.

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 grant has an initial ten-year term that expired July 16, 2005. The AEZC is managed by an Executive Board of 17 which is chaired by the Mayor. The Mayor and City Council are responsible for appointing the members of the Board of Directors of AEZC and have the ability to impose their will on AEZC. The separate financial statements of AEZC may be obtained from the City of Atlanta Department of Finance (Grant Accounting), 68 Mitchell Street, Suite 11100, Atlanta, Georgia 30335.

On January 1, 2002 the City was designated as a Renewal Community (RC). This designation replaces the City's status as an Empowerment Zone. Currently the City is in the process of transitioning the management and the remaining Social Service Block Grant funds of AEZC to the Renewal Community. The Mayor and City Council are responsible for appointing the members of the Board of Directors of the RC and have the ability to impose their will on the RC.

ADA - ADA was created effective January 1, 1997, to promote the revitalization and growth of the City through a comprehensive and centralized program focusing on community development and redevelopment. It combined 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 Atlanta Development Authority, 86 Pryor St. S.W., Suite 300, Atlanta, Georgia 30303.

Notes to the Financial Statements - Continued

A. Reporting Entity, 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 did not have any financial activity during 2005.

Joint Venture

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 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 joint venture is accounted for under the equity method of accounting by the City.

Under the terms of the amended Joint Venture Agreement, the City and the County share equally the costs of all capital expenditures. Capital contributions are recorded during the year in which the additions to capital assets are accrued. The City and the County each contributed \$6,056,000 during the year ended December 31, 2005. These capital costs are reflected as Investment in Joint Venture.

The cost of operations of the plant is paid directly by the County as incurred. The County is subsequently reimbursed by the City for its pro rata share of the costs of operations, net of personnel costs paid by the City. The costs of operations, including personnel cost, are allocated between the City and the County on the basis of water delivered to each. The City's share of those costs was \$1,993,000 for the year ended December 31, 2005. These costs are reflected as operating costs in the accompanying financial statements of the Department of Watershed Management. As of December 31, 2005, the City owes the County \$450,000 for expenses associated with the joint venture.

Financial information for the Commission as summarized below is as of and for the year ended December 31, 2005 (in thousands):

Total assets (net property, plant, and equipment)	<u>\$172,878</u>
Total fund net assets	<u>\$155,979</u>
Total operating revenue	<u>\$ 5,375</u>
Total operating expenses	<u>\$ 7,504</u>
Net loss	<u>\$ (2,388)</u>

The separate financial statements of the Commission may be obtained from the Commission at 9750 Spruill Rd., Alpharetta, Georgia 30022.

Notes to the Financial Statements - Continued

A. Reporting Entity, continued

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.

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 \$262,940 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.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the 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. City activities are 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.

Notes to the Financial Statements - Continued

C. 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. Agency funds, as part of fiduciary funds, while on the accrual basis do not have a measurement focus since they do not report equity.

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 funds:

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.

The *Capital Projects Fund (Annual Bond Fund)* is used to account for capital project activities 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 Independent School System.

The *Debt Service 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 tax allocation districts funds and 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing

Notes to the Financial Statements, Continued

C. Measurement Focus and Basis of Accounting, continued

and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major proprietary funds:

The *Department of Watershed Management 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.

The *Department of Aviation Fund* accounts for the activities of the William B. Hartsfield–Maynard H. Jackson Atlanta International Airport.

Additionally, the City reports the following fund types:

Internal Service Funds account for the activities of the Department of Information Technology and Motor Transport Services, 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.

Fiduciary Fund Types

The *trust 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 members of the Plans and their beneficiaries.

The *Agency Fund* accounts for various taxes, bond deposits and other receipts held in escrow for individuals, outside organizations, other governments and/or other funds.

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

Governmental Fund Types

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

Notes to the Financial Statements, Continued

C. Measurement Focus and Basis of Accounting, continued

The *capital projects funds (other than the Annual Bond Fund reported as a major fund)* account for the accumulation of resources and the subsequent disbursement of such resources to acquire or renovate major capital assets.

D. Assets, Liabilities and Net Assets or Equity

1. Cash Equivalents

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

2. 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 1 (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. Additionally, 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 III. A.)

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.

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 in the pooled fund 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 Georgia Fund 1 is a stable net asset value investment pool managed by the State of Georgia (Office of Treasury and Fiscal Services) and is not registered with the SEC. The fund does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered a 2a-7 like pool. The fair value of the participant share's is computed weekly with pool earnings distributed on a monthly basis based on equivalent shares owned by participants based on \$1.00 per share.

Notes to the Financial Statements, Continued

D. Assets, Liabilities and Net Assets or Equity

Separate financial statements of the Georgia Fund 1 may be obtained from the Office of Treasury and Fiscal Services, 200 Piedmont Avenue, Suite 1202, West Tower, Atlanta Georgia 30334-5527.

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.

3. 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.

4. Prepaid Items

Payments for services that benefit future periods are recorded as prepaid expenses in accordance with the consumption method. This method is also used for budgetary purposes; accordingly, no reservation of fund balance is required.

5. Restricted Assets

Restricted assets represent amounts which are required to be maintained pursuant to City ordinances relating to the passenger and customer facility charges (Department of Aviation only); construction, renewal and extension and sinking funds; funds received for specific purposes pursuant to U. S. government grants; municipal option sales tax (Department of Watershed Management only); various reserves required under certain bond agreements; and, investments related to a state wide municipal lease pool agreement (General Fund only).

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

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, sidewalks, and similar items) used in governmental and business-type activities of the City are recorded in the statement of net assets at historical cost (or estimated historical cost). This capitalization included infrastructure that could be identified and has been acquired since July 1, 1980.

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.

Notes to the Financial Statements - Continued

D. Assets, Liabilities and Net Assets or Equity, continued

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 except land and construction in progress 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

Business-type activities:

Department of Aviation:	
Runways, taxiways, and other land improvements	15-35 years
Terminal and maintenance buildings and other structures	15-35 years
Other property and equipment	2-10 years

Department of Watershed Management Fund:	
Water and wastewater plant and treatment facilities	50-75 years
Water collection and distribution system	75 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

Notes to the Financial Statements - Continued

D. Assets, Liabilities and Net Assets or Equity, continued

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 against interest earned on invested proceeds over the same period. The Department of Watershed Management Fund and the Department of Aviation Fund capitalized \$75,238,000 and \$60,997,000, respectively, in interest costs during 2005.

7. *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 that is expected to be liquidated with expendable available financial resources is reported as 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 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.

8. *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 within 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.

Notes to the Financial Statements - Continued

D. Assets, Liabilities and Net Assets or Equity, continued

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 other assets in the financial statements. 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.

9. Reservations of Net Assets / Fund Balances

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 assets for 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.
- *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 payments.

10. Net Assets Classifications

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.

Notes to the Financial Statements - Continued

D. Assets, Liabilities and Net Assets or Equity, continued

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

11. 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 and proprietary funds. All grant contributions in the Proprietary Funds are for the purpose of construction activities, principal debt service reimbursements 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.

12. 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 Department of Watershed Management, the Sanitation Fund, and the Internal Service Fund in order to more fully reflect the actual cost of operating these Proprietary Funds. In 2005, such allocated expenses amounted to \$9,480,861 for the Department of Aviation, \$14,074,370 for the Department of Watershed Management, \$4,945,198 for the Sanitation Fund, and \$3,244,302 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 year's cost calculation, documented in the Cost Allocation Plan. Such expenditures charged to Community Development during 2005 amounted to \$539,832. The reimbursement of these costs to the General Fund is recorded as a reduction in expenditures.

Indirect expenses and direct expenses are not reported in separate columns in the government-wide statement of activities.

13. Change in Fiscal Year

During 2004, the City Council approved changing the City's fiscal year from December 31 to June 30, effective for the fiscal period ending June 30, 2006.

Notes to the Financial Statements - Continued

E. New Accounting Pronouncements

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

In April 2004, GASB issued Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans*. This statement establishes uniform financial reporting standards for other post-employment benefits (OPEB) plans.

The approach followed in this statement generally is consistent with the approach adopted for defined benefit pension plans with modifications to reflect differences between pension plans and OPEB plans. The statement applies for OPEB trust funds included in the financial reports of plan sponsors or employers, as well as for the stand-alone financial reports of OPEB plans or the public employee retirement systems, or other third parties, that administer them. Application of this statement is effective for the City's fiscal period ending June 30, 2006.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting; The Statistical Section-an amendment of NCGA Statement 1*. This statement amends the portions of NCGA Statement 1, Governmental Accounting and Financial Reporting Principles, that guide the preparation of the statistical section. The statistical section presents detailed information, typically in ten-year trends, that assists users in utilizing the basic financial statements, notes to basic financial statements, and required supplementary information to assess the economic condition of a government. This statement adds new information that financial statement users have identified as important and eliminates certain previous requirements. Application of this statement is effective for the City's fiscal period ending June 30, 2006

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, which addresses how state and local governments should account for and report their costs and obligations related to post-employment healthcare and other non-pension benefits. Collectively, these benefits are commonly referred to as other post-employment benefits, or OPEB. The statement generally requires that employers account for and report the annual cost of OPEB and the outstanding obligations and commitments related to OPEB in essentially the same manner as they currently do for pensions. Annual OPEB cost for most employers will be based on actuarially determined amounts that, if paid on an ongoing basis, generally would provide sufficient resources to pay benefits as they come due. This statement's provisions may be applied prospectively and do not require governments to fund their OPEB plans. An employer may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however, the unfunded actuarial liability is required to be amortized over future periods. This statement also establishes disclosure requirements for information about the plans in which an employer participates, the funding policy followed, the actuarial valuation process and assumptions, and, for certain employers, the extent to which the plan has been funded over time. Application of this statement is effective for the City's fiscal year ending June 30, 2008.

Notes to the Financial Statements - Continued

E. New Accounting Pronouncements, continued

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation-an amendment of GASB Statement No. 34*, which requires that limitations on the use of net assets imposed by enabling legislation be reported as restricted net assets. This statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government such as citizens, public interest groups, or the judiciary can compel a government to honor. This Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. Application of this statement is effective for the City's fiscal period ending June 30, 2006.

In June 2004, GASB issued Statement No. 47, *Accounting for Termination Benefits*, which establishes accounting standards for termination benefits. More specifically, this statement requires employers to disclose a description of the termination benefit arrangement, the cost of the termination benefits (required in the period in which the employer becomes obligated if that information is not otherwise identifiable from information displayed on the face of the financial statements), and significant methods and assumptions used to determine termination benefit liabilities. Application of this statement is effective for the City in two parts. For termination benefits provided through an existing defined benefit OPEB plan, the provisions of this Statement will be implemented simultaneously with the requirements of Statement 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*. For all other termination benefits, application of this Statement is effective for the City's fiscal period ending June 30, 2006.

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

F. 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.

II. Stewardship, Compliance and Accountability

A. Budgets and Budgetary Accounting

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. Annual budgets are adopted for the General Fund, the

Notes to the Financial Statements - Continued

A. Budgets and Budgetary Accounting, continued

Community Development Special Revenue Fund, the Intergovernmental Grant Special Revenue Fund, and Debt Service Fund with the level of legal budgetary control established at the department level by City Council. The capital projects funds adopt project-length budgets.

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 (Schedules) of Revenues, Expenditures and Changes in Fund Balances Budget and Actual Comparison (Budgetary Basis) - General, Special Revenue Funds as defined above and Debt Service Fund, 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 by 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 2005 supplemental anticipations and appropriations occurred as legal amendments

Notes to the Financial Statements - Continued

A. Budgets and Budgetary Accounting, continued

to the budget were adopted in accordance with the procedures described above. Budget amounts in the accompanying financial statements, if any, 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.

B. Excess of Expenditures Over Appropriations

The City did not have any excess expenditures over appropriations for the year ended December 31, 2005.

C. Deficit Fund Equity

The following funds reported deficits in Fund Balance at December 31, 2005:

- Sanitation Fund had an accumulated deficit of \$39,793,000 due to deficiencies in operating revenues. Billed rates, billing methodologies, and operating costs will be evaluated in order to eliminate the negative net assets in future periods.

- Underground Atlanta Fund had an accumulated deficit of \$10,239,000 due to deficiencies in operating revenue (see note III.I.). 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.

III. Detailed Notes on All Funds

A. Deposits and Investments

Cash and cash equivalents and investments as of December 31, 2005 are classified in the accompanying financial statements as follows (in thousands):

Notes to the Financial Statements - Continued

A. Deposits and Investments. continued

	Statement of Net Assets		Statement of Fiduciary Net Assets				Fair Value
	Governmental Activities	Business-type Activities	Pension Trust Funds		Agency		
			Defined Benefit Plans	Contribution Plan			
Unrestricted:							
Cash & Cash Equivalents	\$ 30,387	\$ 12,871	\$ 111,476	\$ -	\$ 703		\$ 155,437
Investment in Pooled Cash and Investments	111,651	485,326	-	-	10,686		607,663
Investments	275,876	-	1,578,193	23,601	41		1,877,711
Restricted:							
Cash	-	73,355	-	-	-		73,355
Investments	65,220	2,973,657	-	-	-		3,038,877
Total Deposits and Investments	\$ 483,134	\$ 3,545,209	\$ 1,689,669	\$ 23,601	\$ 11,430		\$ 5,753,043

Note: The General Employee Pension Plan is a multiple-employer plan covering certain employees of the Atlanta Independent School System (the "School System"). The balances above and in the accompanying financial statements do not include the School System's portion.

Pooled Cash and Investments Held in City Treasury.

The City maintains a cash and investment pool that is available for use by all funds. Each fund's portion of this pool is displayed on the accompanying financial statements as "Investment in pooled investments fund".

Investments Authorized by the Georgia State Code Section 36-83-4 and the City of Atlanta Investment Policy

The City has adopted an investment policy (the "Policy") to minimize the inherent risks associated with deposits and investments. The primary objective of the Policy is to invest funds to provide for the maximum safety of principal.

Identified below are the investment types that are authorized for the City by the City of Atlanta Investment Policy. The policy also identifies certain provisions of the Official Code of Georgia (OCGA) that address interest rate risk, credit risk and concentration of credit risk. This policy governs all governmental and business-type activities for the City, but does not govern the City of Atlanta Pension Plans.

The City's investments are limited to U.S. Government guaranteed securities and U.S. government agency securities which are limited to issues of Federal Farm Credit System (FFCS), Federal Home Loan Bank System (FHLBS), Federal Home Loan Mortgage Corporation (FHLMC), Federal National Mortgage Association (FNMA), Student Loan Marketing Association and Federal Agricultural Mortgage Corporation (SLMA). Under the Policy, the City restricts investments in eligible obligations to discount notes and callable or non-callable fixed-rate securities with a fixed principal repayment amount.

The City also invests in fully collateralized repurchase agreements provided the City has on file a signed Master Repurchase Agreement, approved by the City Attorney, detailing eligible collateral, collateralization ratios, standards for collateral custody and control, collateral valuation, and conditions for agreement termination. It also requires the securities being purchased by the City to be assigned to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City; and is placed through a primary government securities

Notes to the Financial Statements - Continued

A. Deposits and Investments, continued

dealer, as defined by the Federal Reserve, or a financial institution doing business in this state, and which is rated no less than A or its equivalent by two nationally recognized rating services.

The City's investment portfolio, in aggregate, will be diversified to limit its exposure to interest rate, credit and concentration risks by observing the above limitations.

Investments in Employee Retirement Plans

The City of Atlanta has three defined benefit pension plans for full-time employees-the General Employees' Pension Plan, the Police Officers' Pension Plan and the Firefighters' Pension Plan (the "Plans"). Each Plan is administered by its own Board of Trustees. These persons are ultimately responsible for making all decisions with regard to the administration of the Plans, including the management of Plan assets, and for carrying out the investment policy on behalf of the Plan.

The Plans' investments are managed by various investment managers under contracts with the Plans who have discretionary authority over the assets managed by them, within the investment guidelines, established by the respective Boards. The investments are held in trust by the Plans' custodians in the Plans' name. These assets are held exclusively for the purpose of providing benefits to members of the plans and their beneficiaries.

Identified below are the investment types that are authorized by the respective Boards for each of the Plans. The investment policies also identify certain provisions that address interest rate risk, credit risk and concentration of credit risk.

The Plans, by policy, are to invest their cash in domestic equities, domestic fixed income securities and cash equivalents. These instruments consist of common and preferred stock, obligations of the U.S. government and agencies (GNMA, FHLMC, and FNMA securities and CMO's), corporate bonds, and certificates of deposit. The Plans have strict limitations on the amounts managers are allowed to invest in any one issuer in all classes of securities. The Plans also invest in repurchase agreements which must be fully collateralized by U.S. government or agency guaranteed securities.

Respective Board policies permit the Plans to engage in securities lending with an authorized agent, provided that the securities are fully collateralized at least 102% and that collateral is received prior to the release of the securities by the custodian.

INVESTMENT RISK DISCLOSURES

Governmental and Business-Type Activities

Interest Rate Risk. Interest rate risk is the risk that changes in market rates will adversely affect the fair market value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Additionally, the fair values of the investments may be highly sensitive to interest rate fluctuations. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments and by timing cash flows from maturities so that a portion is maturing or coming close to maturing evenly over time, as necessary to provide the cash flow and liquidity needs for operations.

Notes to the Financial Statements - Continued

A. Deposits and Investments, continued

The City has the ability and generally has the intention to hold all investments until their respective maturity dates. The average maturity of the City's pooled cash and investments governed by policy as of December 31, 2005, was approximately 6 months. If it becomes necessary or strategically prudent for the City to sell a security prior to maturity, the Policy allows for occasional restructuring of the portfolio to minimize the loss of market value and/or to maximize cash flows.

Credit Risk. Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This risk is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of December 31, 2005, the City had the following fixed income investments (in thousands), with the corresponding credit ratings and maturities.

Type of Investments	Credit Rating	Maturity					Fair Value
		Under 30 Days	31 - 180 Days	181 - 365 Days	1 - 5 Years	Over 5 Years	
FFCB	Aaa	\$ -	\$ 9,925	\$ 33,718	\$ 9,767	\$ 1,424	\$ 54,834
FHLB	Aaa	40,537	66,397	110,078	55,401	-	272,413
FHLMC	Aaa	8,057	56,385	19,287	47,640	-	131,369
FHLMC-DN	Aaa	71,932	43,561	43,731	-	-	159,224
FNMA	Aaa	7,985	44,735	38,924	81,153	-	172,797
FNMA-DN	Aaa	104,731	93,074	55,878	-	-	253,683
U.S. Obligations	Exempt	-	-	-	2,981	-	2,981
State Pool	AAA	138,718	-	-	-	-	138,718
Treasury Note	Exempt	9,986	119,658	-	743	-	130,387
Treasury STRIP	Exempt	-	-	3,202	3,113	-	6,315
Treasury Bonds	Exempt	-	1,412	-	276	-	1,688
CD's	Exempt	-	1,300	-	-	-	1,300
Repurchase Agreements	Exempt	64,514	-	-	-	-	64,514
Money Markets	AAA	287,414	-	-	-	-	287,414
GIC's	*	-	-	-	2,298,649	-	2,298,649
		<u>\$ 733,874</u>	<u>\$ 436,447</u>	<u>\$ 304,818</u>	<u>\$ 2,499,723</u>	<u>\$ 1,424</u>	<u>\$ 3,976,286</u>

* All Guaranteed Investment Contracts (GIC's) are fully collateralized by U.S. Government Obligations or Agency securities.

Notes to the Financial Statements - Continued

A. Deposits and Investments, continued

Custodial Credit Risk. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Custodial credit risks for *investments*, is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City requires that all uninsured collected balances plus accrued interest in depository accounts be collateralized and that the market value of collateralized pledged securities must be at least 110% of the deposit balances, and 102% for repurchase agreements. As a result, the City had no deposits with custodial risks

At December 31, 2005 the carrying amount of the City's investments was \$3,976,291,000. Of the investment balance, all were covered by collateral held by the City's agent or pledging financial institution.

Concentration Credit Risk. The City's investment policy contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the OCGA. There are no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represents 5% or more of *total City investments*.

Investments in any one issuer that represent 5% or more of total investments by *reporting unit* are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>% of Total Investments</u>
<i>Department of Aviation</i>		
Citigroup	GIC	10.5%
Societe Generale	GIC	18.5%
<i>Department of Watershed Management</i>		
Citigroup	GIC	18.3%

The City is a voluntary participant in the Georgia Local Government Investment Pool (Georgia Fund 1) that is managed by the Office of Treasury and Fiscal Services. As of December 31, 2005, the City's investment in the Georgia Fund 1 is approximately \$138,718,523. The total amount recorded by all public agencies in Georgia Fund 1 at that date is approximately \$1,340,875,278.

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates could adversely affect an investment's or deposit's fair value. The City is not exposed to this risk and its investment policy does not provide for investments in foreign currency denominated securities.

Notes to the Financial Statements - Continued

A. Deposits and Investments, continued

Pension Trust Fund Activities

Interest Rate and Credit Risks. As of December 31, 2005, the City's Pension Plans had the following fixed income investments (in thousands), with the corresponding credit ratings and maturities.

Type of Investments	Credit Rating	Maturity					Fair Value
		Under 1 year	1 - 3 years	3 - 5 years	5 - 10 years	Over 10 Years	
FHLB	Aaa	\$ -	\$ 14,991	\$ -	\$ -	\$ -	\$ 14,991
FHLMC	Aaa	-	7,675	3,608	8,733	16,518	36,534
FNMA	Aaa	-	4,480	6,340	17,777	58,325	86,922
US Gov.							
Obligations/Agencies	Exempt	3,828	18,423	27,427	42,866	80,139	172,683
US Treasury Securities	Exempt	4,956	-	9,831	12,737	43,471	70,995
Government Bonds	Aaa	-	855	-	2,500	343	3,698
Corporate Bonds	Baa2	12,308	33,884	41,038	39,519	36,659	163,408
CMO's	AAA	-	2,361	1,121	7,872	37,145	48,499
Private Placement Trust	A1	-	432	-	-	-	432
CD's	A1+	85,231	-	-	-	-	85,231
		<u>\$ 106,323</u>	<u>\$ 83,101</u>	<u>\$ 89,365</u>	<u>\$ 132,004</u>	<u>\$ 272,600</u>	<u>\$ 683,393</u>

Securities Lending Transactions

At year-end, the Plans had no credit risk exposure to borrowers because the amounts the Plans owe the borrowers exceed the amounts the borrowers owe the Plans. The contract with the Plans custodian requires them to indemnify the Plans if the custodian fails to recover borrowed securities and distributions made during the term of the loans. There were no losses resulting from borrower default during the period nor were there any recoveries of prior period losses.

All securities loans can be terminated on demand by either the Plans or the borrower, with the borrower returning equivalent securities to the Plans within a specified period of time.

Custodial Risk. The Pension Plans had no deposits or investments with custodial risk as of December 31, 2005.

Concentration Credit Risk. There are no investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of *total Pension Plan investments*.

Notes to the Financial Statements - Continued

A. Deposits and Investments, continued

Investments in any one issuer that represent 5% or more of total investments by *individual plan* are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>% of Total Investments</u>
<i>General Employees Pension Plan</i>		
FHLMC	Federal Agency Security	8.620%
FNMA	Federal Agency Security	12.280%
<i>Police Officer's Pension Plan:</i>		
Europac Growth Fund	Equities	5.818%
Northern Trust Bank N.A	Equities	29.128%
NTGI	Equities	9.049%
<i>Fireman's Pension Plan:</i>		
FHLMC	Federal Agency Security	6.402%
FNMA	Federal Agency Security	11.764%
NTCC	Equities	7.467%
ISHARES TR	Equities	18.153%

Foreign Currency Risk. The Plan's policies state that the portfolio will consist of domestic equities, domestic fixed income and cash equivalents. At December 31, 2005, the Plans were not in compliance with the provisions of its policy requirements for authorized investment purchases. As of year-end, the Plans had investments in foreign equity securities totaling \$55,124,000 and investments in foreign fixed income securities totaling \$3,994,000.

Although all of the foreign equity securities are American Depository Receipts (ADR's), this does not eliminate the foreign currency risk involved in purchasing foreign securities.

The following table provides the value in U.S. dollars by foreign currency denominations and investment type for all Pension Plan investments denominated in foreign currencies (in thousands).

<u>Currency</u>	<u>Short Term</u>	<u>Debt</u>	<u>Equity</u>	<u>Total</u>
Canada	\$ -	\$ 507	\$ 524	\$ 1,031
India	-	-	996	996
Netherlands	-	-	1,093	1,093
Switzerland	-	-	808	808
United Kingdom	-	1,522	112	1,634
Mexico	-	1,227	-	1,227
France	-	738	-	738
International Region	-	-	22,540	22,540
Multi-National Agencies Region	-	-	29,051	29,051
Total Securities subject to Foreign Currency Risk	\$ -	\$ 3,994	\$ 55,124	\$ 59,118

Notes to the Financial Statements - Continued

B. Property Taxes, Local Option Sales Taxes, Municipal Options Sales Tax, 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. Property taxes are levied and billed by July 1, on the assessed value, as of January 1, (lien date), of all real and personal property located in the City. Taxes are due within 45 days of the date billed. The distribution of the City's 2005 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:

	<u>Millage Rate</u>
General Fund	7.64
General Obligation Bond Sinking Fund:	
City Bonds	1.43
School Bonds	.10
Park Improvement Fund (included in Capital Projects Funds)	.50
Board of Education for operations	20.42
Special Tax District/DeKalb County	<u>1.10</u>
	<u>31.19</u>

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 2005 resulted in an assessed value, prior to freeport exemption, of approximately \$20,305,558,276.

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 \$1,657,958 in 2005. 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 Commissioner's 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.

Notes to the Financial Statements – Continued

B. Property Taxes, Local Option Sales Taxes, Municipal Option Sales Tax, and Car Rental Taxes, continued

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.

See Note Section IV-C- CSO – Consent Decree regarding the levy of a 1% Municipal Option Sales Tax.

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

C. Capital Assets

A summary of capital assets activity and changes in accumulated depreciation for the year ended December 31, 2005 follows (in thousands):

	Balance at December 31, 2004	Additions	Deletions and Retirements	Transfers	Balance at December 31, 2005
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 60,346	\$ 3,549	\$ 136	\$ -	\$ 63,759
Construction in progress	30,094	16,733	-	(5,344)	41,483
Total capital assets not being depreciated	<u>90,440</u>	<u>20,282</u>	<u>136</u>	<u>(5,344)</u>	<u>105,242</u>
Capital assets being depreciated					
Land improvements	20,776	254	-	-	21,030
Buildings and building improvements	337,317	7,975	5,357	1,845	341,780
Other property and equipment	151,610	7,470	27,258	-	131,822
Infrastructure	1,782,754	17,875	-	3,499	1,804,128
Total capital assets being depreciated	<u>2,292,457</u>	<u>33,574</u>	<u>32,615</u>	<u>5,344</u>	<u>2,298,760</u>
Totals at historical cost	<u>2,382,897</u>	<u>53,856</u>	<u>32,751</u>	<u>-</u>	<u>2,404,002</u>
Less: Accumulated Depreciation					
Land improvements	11,115	783	-	-	11,898
Buildings and building improvements	72,835	6,240	5,084	-	73,991
Other property and equipment	100,149	9,057	25,334	-	83,872
Infrastructure	1,248,285	32,983	-	-	1,281,268
Total accumulated depreciation	<u>1,432,384</u>	<u>49,063</u>	<u>30,418</u>	<u>-</u>	<u>1,451,029</u>
Governmental activities capital assets, net	<u>\$ 950,513</u>	<u>\$ 4,793</u>	<u>\$ 2,333</u>	<u>\$ -</u>	<u>\$ 952,973</u>
Business-type activities:					
Capital assets not being depreciated					
Land	902,886	18,989	1	10,439	932,313
Construction in progress	1,703,803	867,140	-	(358,884)	2,212,059
Total capital assets not being depreciated	<u>2,606,689</u>	<u>886,129</u>	<u>1</u>	<u>(348,445)</u>	<u>3,144,372</u>
Capital assets being depreciated					
Land improvements	820,402	-	-	342,681	1,163,083
Buildings and other structures	3,881,546	-	-	44,211	3,925,757
Other property and equipment	197,535	28,020	5,599	-	219,956
Total capital assets being depreciated	<u>4,899,483</u>	<u>28,020</u>	<u>5,599</u>	<u>386,892</u>	<u>5,308,796</u>
Totals at historical cost	<u>7,506,172</u>	<u>914,149</u>	<u>5,600</u>	<u>38,447</u>	<u>8,453,168</u>
Less: Accumulated Depreciation					
Land improvements	408,130	21,949	-	245,418	675,497
Buildings and other structures	1,629,198	81,322	-	(228,464)	1,482,056
Other property and equipment	127,688	17,241	4,236	21,493	162,186
Total accumulated depreciation	<u>2,165,016</u>	<u>120,512</u>	<u>4,236</u>	<u>38,447</u>	<u>2,319,739</u>
Business-type activities capital assets, net	<u>\$ 5,341,156</u>	<u>\$ 793,637</u>	<u>\$ 1,364</u>	<u>\$ -</u>	<u>\$ 6,133,429</u>

Notes to Financial Statements – Continued

C. Capital Assets, continued

Depreciation expense was charged to governmental funds as follows (in thousands):

General government:	\$	1,834
Police		3,256
Fire		3,875
Corrections		216
Public Works		36,769
Parks, Recreation and Cultural Affairs		1,226
Nondepartmental		<u>575</u>
Total	\$	<u>47,751</u>

D. Interfund Receivables, Payables, 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, 2005 are as follows (in thousands):

	Due from other funds	Due to other funds
General Fund	\$ 133,980	\$ 85,454
Capital projects fund	168	24,671
Debt service fund	3,343	-
Nonmajor governmental funds	5,668	32,051
Department of Watershed Management	56,661	53,738
Department of Aviation	197,169	178,576
Nonmajor enterprise funds	65	19,388
Internal Service Fund	482	456
Fiduciary funds	<u>34,266</u>	<u>37,468</u>
Total Primary Government	<u>\$ 431,802</u>	<u>\$ 431,802</u>

Notes to the Financial Statements – Continued

D. Interfund Receivables, Payables, and Transfers, continued

Transfers for the year ended December 31, 2005 are as follows (in thousands):

	Transfers In	Transfers Out
General Fund	\$ 19,972	\$ 13,157
Capital Projects Fund	3,311	99
Nonmajor governmental funds	3,036	11,914
Department of Watershed Management	-	9,800
Nonmajor enterprise funds	11,129	2,478
Total	\$ 37,448	\$ 37,448

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.

E. Leases

Department of Aviation

The Department leases terminal space, aircraft maintenance and overhaul facilities, cargo facilities, hangars, and other structures to air carriers and other tenants at the Airport under various operating leases which terminate no later than 2023. The total cost of the facilities described above which are leased to various tenants is \$1,604,993,000 with a carrying value of \$782,794,000. Depreciation expense for 2005 on the facilities was \$37,395,000. Certain of the leases provide for fixed and variable rental payments, and all are generally designed to allow the Department 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 revenue 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.

At December 31, 2005 minimum future rentals and fees to be received under non-cancelable leases or concession agreements are as follows (in thousands):

2006	\$ 190,034
2007	193,835
2008	197,712
2009	201,666
2010	205,699
2011 - 2015	1,091,876
2016 – 2020	1,205,520
2021 – 2023	782,632
Total	\$4,068,974

Notes to the Financial Statements – Continued

E. 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 parking is solely a function of parking receipts and was \$70,105,000 in 2005.

Department of Watershed Management

The Department has entered into several lease agreements as lessee for power generators. These lease agreements qualify as capital leases for accounting purposes and the lease payments are reflected as capital lease obligations at the present value of the aggregate payments due over the remaining life of the leases. Included in machinery and equipment is \$28,592,000 of equipment acquired under capital leases. The accumulated amortization on this equipment is \$10,535,000 as of December 31, 2005 and is recorded as a component of depreciation expense. Amortization expense was \$2,019,000 for the year ended December 31, 2005.

The present values of the future minimum capital lease payments as of December 31, 2005 are as follows (dollars in thousands):

2006	\$ 2,977
2007	2,977
2008	2,918
2009	2,835
2010	2,719
2011 - 2015	10,460
2016 – 2017	<u>1,950</u>
Total minimum payments	26,836
Less amounts representing interest	<u>(6,316)</u>
Present value of minimum capital lease payments	<u>\$ 20,520</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 a capital lease for accounting purposes. Included in capital assets, other property and equipment is \$7,924,000 for sanitation refuse trucks acquired under capital lease. Accumulated depreciation at December 31, 2005 amounted to \$5,349,000.

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

2006	\$ 1,200
2007	<u>1,200</u>
Total minimum payments	2,400
Less amounts representing interest	<u>(195)</u>
Present value of minimum capital lease payments	<u>\$ 2,205</u>

Notes to the Financial Statements – Continued

E. Leases, continued

Governmental Activities

The City has entered into a lease agreement as lessee for the Traffic Court. This lease agreement qualifies as a capital lease for accounting purposes. Included in capital assets is \$55,195,000 for the Traffic Court building along with the related land and other property and equipment acquired under the capital lease. Accumulated depreciation at December 31, 2005 amounted to \$1,673,000.

The present value of the future minimum lease payments are as follows (in thousands):

2006	\$ 3,975
2007	3,975
2008	3,971
2009	3,972
2010	3,970
2011 – 2015	19,864
2016 – 2020	19,864
2021 – 2025	19,854
2026	<u>3,973</u>
Total minimum payments	83,418
Less amounts representing interest	<u>(33,468)</u>
Present value of minimum capital lease payments	<u>\$ 49,950</u>

The City also entered into a lease agreement for 43 fire trucks. This lease agreement qualifies as a capital lease for accounting purposes. Included in capital assets, other property and equipment, is \$12,811,000 for fire trucks acquired under capital lease. Accumulated depreciation at December 31, 2005 amounted to \$4,612,000.

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

2006	\$ 1,679
2007	1,679
2008	1,679
2009	<u>1,679</u>
Total minimum payments	6,716
Less amounts representing interest	<u>(881)</u>
Present value of minimum capital lease payments	<u>\$ 5,835</u>

Notes to the Financial Statements – Continued

E. Leases, continued

General Fund

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

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

2006	\$ 2,417
2007	2,417
2008	<u>429</u>
Total minimum payments	<u>\$ 5,263</u>

F. Note Payable

In July 2005, the City issued Airport General Revenue Commercial Paper Notes, Series 2005A-1, 2005A-2 up to the amount of \$350,000,000 and Airport Passenger Facility Charge (PFC) General Revenue Commercial Paper Notes, Series 2005B-1, 2005B-2 up to the amount of \$200,000,000. These notes were issued to finance on an interim basis a portion of the capital improvements for the Hartsfield-Jackson Atlanta International Airport. General revenues are pledged as security for payment on Series A notes and PFC Revenues and a subordinate pledge of General Revenues secures Series B notes. The notes do not constitute a debt, liability, or obligation of the City, or a pledge of the faith and credit or taxing power of the City. These notes are not considered a long term obligation of the Airport and may be repaid and reissued as often as necessary to affect the purposes set out in the program.

The Series 2005 A/B will be secured by irrevocable, direct pay letter of credit issued by a consortium of four banks. The notes will have varying maturities of not more than 270 days and bear interest at a market rate at the date issued not to exceed 12% per annum. During 2005, approximately \$163 million of such commercial paper notes were issued of which \$137 million were liquidated.

Notes to the Financial Statements – Continued

G. Long Term Obligation

Changes in long-term debt during the year ended December 31, 2005 follow (in thousands):

	Balance at December 31, 2004	Additions	Reductions	Balance at December 31, 2005	Due within One Year
Governmental activities:					
Long-term debt					
General obligation and annual bonds	\$ 290,365	\$ 93,980	\$ (100,480)	\$ 283,865	\$ 15,355
Plus: Premium on bonds	-	6,221	-	6,221	-
SWMA revenue refunding bonds	23,965	-	(930)	23,035	975
Limited obligation bonds	90,935	130,045	(2,240)	218,740	3,310
Less: Discounts on bonds		(1,581)		(1,581)	
Section 108 loans	11,250	-	(1,735)	9,515	1,315
Capital leases	-	7,097	(1,262)	5,835	1,336
Certificates of participation					
1990 GMA lease pool	3,053	7,764	(763)	10,054	2,745
1998 GMA lease pool (Note P)	32,444	-	-	32,444	-
2002 COPS	51,280	-	(1,330)	49,950	1,400
Installment sale program	78,780	-	(4,700)	74,080	4,920
Total long-term debt	<u>582,072</u>	<u>243,526</u>	<u>(113,440)</u>	<u>712,158</u>	<u>31,356</u>
Other long-term liabilities					
Vacation and compensatory pay	21,714	15,070	(15,955)	20,829	16,247
General health and dental claims payable	15,699	38,040	(35,159)	18,580	13,587
Workers' compensation	17,255	8,101	(5,145)	20,211	5,173
Total other long-term liabilities	<u>54,668</u>	<u>61,211</u>	<u>(56,259)</u>	<u>59,620</u>	<u>35,007</u>
Total long-term liabilities	<u>\$ 636,740</u>	<u>\$ 304,737</u>	<u>\$ (169,699)</u>	<u>\$ 771,778</u>	<u>\$ 66,363</u>

Notes to the Financial Statements – Continued

G. Long Term Obligations

	Balance at December 31, 2004	Additions	Reductions	Balance at December 31, 2005	Due within One Year
Business-type activities					
Long-term debt					
Department of Aviation:					
Facilities Revenue Bonds	\$ 2,927,307	\$ 4,080	\$ (126,260)	\$ 2,805,127	\$ 33,935
Issuance discount and refunding losses	1,521	-	(859)	662	-
Department of Watershed Management					
System Revenue Bonds	2,553,420	-	(10,655)	2,542,765	24,210
Plus: Premium on bonds	39,867	121	(1,107)	38,881	-
GEFA Notes Payable	4,580	19,006	(213)	23,373	537
Capital lease obligation	22,299	-	(1,779)	20,520	1,839
Nonmajor funds:					
Capital lease obligation (Sanitation fund)	3,217	-	(1,012)	2,205	1,071
Revenue Bonds (Underground Atlanta)	65,330	-	(4,050)	61,280	4,225
Total long-term debt	<u>5,617,541</u>	<u>23,207</u>	<u>(145,935)</u>	<u>5,494,813</u>	<u>65,817</u>
Other long-term liabilities					
Arbitrage rebate	22,624	-	(16,536)	6,088	-
Landfill Postclosure Liability	38,145	-	(6,223)	31,922	1,172
Workers' compensation	15,181	5,125	(1,458)	18,848	4,814
Total other long-term liabilities	<u>75,950</u>	<u>5,125</u>	<u>(24,217)</u>	<u>56,858</u>	<u>5,986</u>
Total long-term liabilities	<u>\$ 5,693,491</u>	<u>\$ 28,332</u>	<u>\$ (170,152)</u>	<u>\$ 5,551,671</u>	<u>\$ 71,803</u>
Component Units					
Long-term debt					
Atlanta Fulton County Recreation Authority	\$ 239,586	\$ 89,812	\$ (17,146)	\$ 312,252	\$ 18,122
Atlanta Downtown Development Authority	58,212	28,497	(29,255)	57,454	206
Total long-term debt	<u>\$ 297,798</u>	<u>\$ 118,309</u>	<u>\$ (46,401)</u>	<u>\$ 369,706</u>	<u>\$ 18,328</u>

For the governmental activities, other long-term liabilities are primarily liquidated by the general fund.

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.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

A summary of governmental-type activities long-term debt as of December 31, 2005 is as follows (in thousands):

General Long-Term Debt:

General Obligation Bonds:

1993 Refund Issue, \$42,755, 4.40% - 4.70%, due December 1, 2008	\$ 4,835
1996 Infrastructure Issue, \$28,500, 5.00%, due December 1, 2007	3,855
1997 Infrastructure Issue, \$41,360, 5.00% - 5.125%, December 1, 2008	5,070
1998 Refunding Issue, \$94,305, 4.00% - 5.00%, due December 1, 2023	82,440
2001 Infrastructure Issue, \$61,220, 4.00% - 5.00%, due December 1, 2021	23,260
2004 Issue, \$47,500, 5.00%, due December 1, 2021	42,880
2005 Issue, \$85,980, 3% - 4.125%, due December 1, 2025	<u>84,070</u>
	<u>246,410</u>

Annual G.O. Bond Issues:

1995 Issue, \$8,000, 4.90% - 5.00%, due December 1, 2007	400
1996 Issue, \$8,000, 5.00%, due December 1, 2007	380
1997 Issue, \$8,000, 5.00% - 5.125%, due December 1, 2008	415
1998 Issue, \$8,000, 4.25% - 4.90%, due December 1, 2011	1,565
1999 Issue, \$8,000, 5.125% - 5.8%, due December 1, 2010	600
2000 Issue, \$8,000, 4.75% - 5.5%, due December 1, 2012	720
2001 Issue, \$8,000, 4.00% - 5.00%, due December 1, 2022	3,005
2002 Issue, \$8,000, 3.00% - 5.00%, due December 1, 2022	7,190
2003 Issue, \$8,000, 3.60% - 4.60%, due December 1, 2023	7,415
2004 Issue, \$8,000, 3.00% - 4.40%, due December 1, 2024	7,765
2005 Issue, \$8,000, 4.00% - 4.5%, due December 1, 2025	<u>8,000</u>
	<u>37,455</u>

SWMA Revenue Bonds:

Series 1996, \$28,795, 4.00% - 5.25% issued by the Solid Waste Management Authority, due December 1, 2021	<u>23,035</u>
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Certificates of Participation:

1990 GMA Loan Pool, \$25,090, variable, due November 30, 2009	10,054
1998 GMA Loan Pool, \$32,444, 4.75%, due November 30, 2028	32,444
Section 108 Loans, \$23,375, 5.40% - 7.96%, due August 1, 2019	9,515
1998 Installment Sale Program, \$103,130, 3.10% - 5.00%, due December 1, 2023	74,080
2002 COPS, \$55,195, 4.00% - 5.125%, due December 1, 2026	<u>49,950</u>
	<u>176,043</u>

Limited Obligation Bonds:

2001 Atlantic Station, \$75,505, 7.25% - 7.90%, due December 1, 2024	74,850
2001 Westside Project, \$14,995, 1.398%, due December 1, 2021	13,845
2005A Westside Project, \$72,350, variable, due December 1, 2023	72,350
2005B Westside Project, \$10,215, variable, due December 1, 2023	10,215
2005A Eastside Project, \$9,480, variable, due December 1, 2016	9,480
2005B Eastside Project, \$38,000, variable, due December 1, 2030	<u>38,000</u>
	<u>218,740</u>

Total general long-term debt	<u>\$701,683</u>
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Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

In May 2005, the City refunded \$85,980,000 in General Obligation Refunding Bonds, Series 2005A. The proceeds of the Bonds were used to refund certain outstanding general bonds of the City. These refunded bonds, the principal amount, the maturity date, the redemption price and the respective dates on which the Refunded Bonds will be redeemed from funds in the irrevocable escrow fund established include all of Series 1993, 1994B, 1995, 1996A, 1997A, 1999, 2000, and partial redemptions on the 1996B, 1997B, 1998 and 2001A/B General and Various Purpose Obligation Bonds.

In December 2005, the City issued \$8,000,000 of Various Purpose General Obligation Bonds, Series B, to finance the costs of making various public purpose capital improvements and paying the cost of issuance relating to the issue. \$4,000,000 of the bonds provide funds to pay, be applied or contributed toward the cost of acquiring sites, constructing and equipping them for new or existing municipal buildings and related facilities and \$4,000,000 of the bonds provide funding to pay, be applied or contributed toward the cost of acquiring, renovating, improving, adding to, and equipping existing school buildings and facilities by or on behalf of the Atlanta Independent School System (the “School System”).

Also during 2005, the City issued limited obligation bonds for the Eastside Tax Allocation District Series A/B (\$47,480,000) and for the Westside Tax Allocation District Series A/B (\$82,565,000). Each issuance is a limited obligation of the City, not secured by the full faith and credit of the City, but rather is secured solely by, and payable solely from 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, for the City, Fulton County, and the School System. 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 Special Revenue Funds.

The City participates in a lease pool arrangement with 29 other local governments through the Georgia Municipal Association, Inc. (GMA). GMA issued Certificates of Participation (COPs) in 1990 and 1998 which are 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. Lease terms are generally between three and five years from the date the equipment is purchased. The agreements terminate upon the financial due date of the COPs in 2020 and 2028, respectively.

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 \$6,088,000 at December 31, 2005 on business type activities long-term debt.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

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, 2005, the City believes it was in compliance with all such significant financial limitations and restrictions.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Department of Aviation

Long-term debt at December 31, 2005 consists of the following (in thousands):

General Revenue Bonds

Airport Facilities Revenue Bonds, Series 1990, at 7.25%, Capital Appreciation Term Bonds, due January 1, 2010	\$ 70,547
Airport Facilities Revenue Refunding Bonds, Series 1996 at 5.25% - 6.50%, due serially through 2010	71,635
Airport General Revenue and Refunding Bonds, Series 2000A, 2004B and 2004C, at 4.75% - 6.25%, due serially through 2021	550,795
Airport General Revenue Refunding Bonds, Series 2003RF-A, at 2.0% - 5.0%, due serially through 2014	52,595
Variable Rate Airport General Revenue and Refunding Bonds, Series 2003RF-B-1, RF-B-2, RF-B-3, RF-C-1, RF-C-2, RF-C-3, at weekly modal variable interest rate, due serially through 2014	490,170
Airport General Revenue and Refunding Bonds, Series 2003RF-D, at 4.325% - 5.25%, due serially through 2019	118,270
Airport General Revenue Bonds, Series 2004A, combination serial (at 5.25% - 5.375%) and term bond (5.125%) through 2033	164,165
Airport General Revenue Bonds, Series 2004B, at 5.25%, term bond due January 1, 2033	58,655
Airport General Revenue and Refunding Bonds, Series 2004F and Series 2004G, at 4.0% - 5.25%, due serially through 2029	128,465
Airport General Revenue and Refunding Bonds, Series 2004I, at variable auction rate, due serially through 2024	<u>51,625</u>
Total General Revenue and Refunding Bonds	<u>1,756,922</u>

Passenger Facility Charge (PFC) Bonds

PFC and Subordinate Lien General Revenue Bonds, Series 2004C, at 5.0%, a term bond due January 1, 2033 ,	293,070
PFC and Subordinate Lien General Revenue Bonds,, Series 2004D-1, 2004D-2 ,2004E-1 and 2004E-2, variable auction rate, due serially through 2024	182,550
PFC and Subordinate Lien General Revenue Bonds, Series 2004J, at 4.0% - 5.25%, due serially through 2029	235,860
PFC and Subordinate Lien General Revenue Bonds, Sub series 2004K-1, 2004K-2, 2004K-3 and 2004K-4, at variable auction rate, due serially through 2029	336,725
Total PFC and Subordinate Lien General Revenue Bonds	<u>1,048,205</u>
Total bonds	2,805,127
Less:	
Current maturities	(33,935)
Unamortized discounts/premiums, net	<u>662</u>
Total Long Term Obligations	<u>\$ 2,771,854</u>

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Interest Rate Swap Agreements

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

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, 2005, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swaps:		
Fixed payment to counter party	Fixed	3.009%
Variable payment from counterparty	67.5% of LIBOR-BBA (4.39%)	<u>2.963</u>
Net interest rate swap payments (receipts)		<u>0.046</u>
Variable rate bond coupon payments	Weekly	<u>3.380%</u>
Synthetic interest rate on bonds		<u>3.426%</u>

Fair Value - As of December 31, 2005, the fair value of the two swaps was \$ 15.2 million, based on quoted market prices, indicating the amount that the counterparties would be required to pay the City to terminate the swap agreements.

Swap Payments and Associated Debt - As of December 31, 2005, 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 (receipts) will vary.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

<u>Year Ending</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate Swaps, Net</u>	<u>Interest Total</u>
	<u>Principal</u>	<u>Interest</u>		
2006	\$ -	\$ 16,568	\$ 225	\$ 16,793
2007	-	16,568	225	16,793
2008	-	16,568	225	16,793
2009	-	16,568	225	16,793
2010	-	16,568	225	16,793
2011-2015	5,265	82,839	1,127	83,966
2016-2020	34,955	80,044	1,089	81,133
2021-2025	191,300	65,537	892	66,429
2026-2030	<u>258,650</u>	<u>26,790</u>	<u>365</u>	<u>27,155</u>
Total	<u>\$490,170</u>	<u>\$338,050</u>	<u>\$4,598</u>	<u>\$342,648</u>

Credit Risk - As of December 31, 2005, 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' \$15.2 million fair value. As of December 31, 2005, the Counterparties were rated as follows by Moody's and S&P:

	<u>Moody's</u>	<u>S&P</u>
Goldman Sachs Mitsui	Aa3	A+
JP Morgan Chase Bank	Aa2	AA-

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 may be terminated by the Department if the Counterparty has one or more outstanding issues or rated unsecured, unenhanced senior debt or long term deposits and none of such issues has at least two ratings of at least (i) "BAAL" or higher as determined by Moody's, (ii) BBB+ or higher as determined by S&P, (iii) "BBB+" or higher from Fitch, or (iv) an equivalent investment grade rating determined by a nationally-recognized rating service acceptable to both parties. 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.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Department of Watershed Management

Long-term debt at December 31, 2005 consists of the following (in thousands):

Revenue Bonds

Water and Wastewater Revenue Bonds, \$1,096,140 Series 1999A, 5.0% - 5.50%, due serially through 2038	\$ 735,135
Water and Wastewater Revenue Bonds, \$415,310 Series 2001A, variable rate demand, due serially through 2039	415,310
Water and Wastewater Revenue Bonds, Series \$335,640 2001B, variable rate demand, due serially through 2038	331,685
Water and Wastewater Revenue Bonds, \$105,705 Series 2001C, variable rate demand, due serially through 2041	105,705
Water and Wastewater Revenue Bonds, \$105,600 Series 2001C, (ARCs), variable auction rate due serially through 2041	105,600
Water and Wastewater Revenue Bonds, \$849,330 Series 2004, Combination serial (2.5%-5.75%) and term bonds (5%) through 2043	<u>849,330</u>
	2,542,765
Less: Current maturities	(24,210)
Unamortized discounts and premium costs	<u>38,881</u>
Total revenue bonds	<u>2,557,436</u>

Other Debt:

Georgia Environmental Facilities Authority (GEFA) \$4,669 Loan, 3%, due serially through 2023	4,394
Georgia Environmental Facilities Authority (GEFA) \$19,006 Loan, 3.82%, due serially through 2035	<u>18,978</u>
	23,372
Less: Current maturities	<u>(537)</u>
Total other debt	<u>22,835</u>
 Total long-term debt	 <u>\$2,580,271</u>

In October 2005, the Department received a loan from the Georgia Environmental Facilities Authority (GEFA) in the amount of \$19,006,000. The proceeds of the loan were used to finance a portion of the cost associated with the Department's Clean Water Atlanta Program. (See Note IV-D-CSO Decree). The interest rate on the loan is 3.82% and the maturity date is November 2035.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Interest Rate Exchange Agreements (SWAPs) and Associated Bonds

The Department has issued certain fixed rate bonds associated with pay-variable, receive-fixed rate swaps and certain variable rate bonds associated with pay-fixed, receive-variable interest rate swaps.

Objective - The Department's strategy is to use swaps as a tool to achieve an overall lower cost of capital, increase the diversity of the capital structure and better match the asset to liability portfolio by matching variable rate obligations with the large amount of the Department's short-term, variable rate assets. Also, the Department uses swaps to convert variable-rate debt to fixed rate debt without incurring refinancing costs.

General - The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Department, or the Counterparty, may terminate the swap if the other party fails to perform under the terms of the contract. A termination of any swap agreement may result in the Department or the City making or receiving a termination payment. 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.

If the Counterparty to the swaps defaults, or if the swaps are terminated, the Department and the City will be exposed to the rates established in each bond issue. The Counterparty to the interest rate swap agreements is a large international brokerage and insurance firm, and accordingly, the Department believes there is little risk of Counterparty nonperformance. As of December 31, 2005, the Counterparty was rated Aa2 and AA+ by Moody's and Standard and Poors, respectively.

The terms, fair values, specific credit risks, interest rate risks, basis risks and termination risks associated with the outstanding swaps as of December 31, 2005 are as follows:

Pay-Variable, Receive-Fixed Swaps

At December 31, 2005, the Department had a total of two pay-variable, receive-fixed swaps as follows (in thousands):

<u>Swap</u>	<u>Associated Bond Issue</u>	<u>Notional Amount</u>	<u>Swap Fixed Rate Received</u>	<u>Variable Rate Paid</u>	<u>Variable Swap Rate as of December 31, 2005</u>	<u>Fixed Debt Interest Rate as of December 2005</u>
Floating rate Debt service reserve	1999A	\$145,000	5.00%	BMA	3.51%	5.00%
	1999A	<u>71,850</u>	n/a	BMA	n/a	5.00%
Total		<u>\$216,850</u>				

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Floating Rate Swap

Terms - In March 2001, the Department entered into an interest rate swap option agreement to convert, at the Counterparty's request, \$145,000,000 of the Department's Water and Wastewater Revenue Bonds, Series 1999A from 5% fixed rate bonds to floating rate bonds in which the interest rate is based on the Bond Market Association Municipal Swap Index (BMA). The option for conversion began in May 2005. For entering into this agreement, the Department received a nonrefundable commitment fee of \$2,700,000 which has been deferred and is being amortized over the life of the agreement.

Fair value - As of December 31, 2005, the swap had a fair value of \$2,236,135 based on quoted market prices.

Credit risk - The swap's fair value represented the Department's credit exposure to the Counterparty as of December 31, 2005. Should the Counterparty to this transaction fail to perform according to the terms of the swap contract; the Department faces a maximum possible loss equivalent to the swap's fair value of \$2,236,135.

Interest rate risk - The swap increases the Department's exposure to interest rate risk. As the BMA increases, the Department's net payment on the swap increases.

Termination risk - The Counterparty has an ongoing cancellation/reinstatement option starting November 1, 2009. If, at the time of termination, the swap has a negative fair value, the Department would be liable to the Counterparty for that payment.

Debt Service Reserve Account Swap

Terms - In March 2001, the Department entered into an interest rate swap option agreement to convert, at the Counterparty's request, \$71,850,000 of the Department's Water and Wastewater Revenue Bonds, Series 1999A from 5% fixed rate bonds to floating rate bonds in which the interest rate is based on the BMA. The option for conversion began in May 2004, but has not been exercised by the Counterparty. For entering into this agreement, the Department received a nonrefundable commitment fee of \$4,800,000 which has been deferred and is being amortized over the life of the agreement.

Fair value - As of December 31, 2005, the swap had a negative fair value of \$5,582,000 based on quoted market prices.

Credit risk - The negative fair value is the result of changes in the interest rate. As a result, the Department is not exposed to credit risks. However, if the interest rates change and the fair market value of the swap becomes positive, the Department would be exposed to a credit risk in the amount of the swap's fair value.

Termination risk - The Counterparty has an ongoing cancellation option starting on the 10 year anniversary of the trade date and every five years thereafter.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Using the rates as of December 31, 2005, debt service requirements of the fixed-rate bonds and net swap payments, assuming current interest rates remain the same for their term, are as follows (in thousands):

Year Ending	Fixed Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2006	\$ 15,615	\$ 35,580	\$ (2,161)	\$ 49,034
2007	16,315	34,861	(2,161)	49,015
2008	17,110	34,072	(2,161)	49,021
2009	19,640	33,229	(2,161)	50,708
2010	20,560	32,292	(2,161)	50,691
2011-2015	120,640	143,238	(10,802)	253,076
2016-2020	157,200	106,248	(10,802)	252,646
2021-2025	114,455	63,356	(10,569)	167,242
2026-2030	79,115	44,674	(8,344)	115,445
2031-2035	100,965	27,198	(5,080)	123,083
2036-2038	<u>73,520</u>	<u>5,974</u>	<u>(1,115)</u>	<u>78,379</u>
Total	<u>\$ 735,135</u>	<u>\$560,722</u>	<u>\$(57,517)</u>	<u>\$1,238,340</u>

Pay-Fixed, Receive-Variable Swaps

At December 31, 2005, the Department had a total of two pay-fixed, receive-variable swaps as follows:

Swap	Associated Bond Issue	Notional Amount	Swap Fixed Rate Paid	Variable Rate Received	Variable Swap Rate as of December 31, 2005	Variable Bond Interest Rate as of December 31, 2005
Fixed rate BMA	2001B	\$335,640	4.09%	BMA	3.51%	3.40%
Fixed rate BMA	2001C	<u>105,705</u>	4.09%	BMA	3.51%	3.15%
Total		<u>\$441,345</u>				

Fixed Rate BMA/67% of LIBOR

Terms - In December 2001, the Department entered into an interest rate swap option agreement to convert \$335,640,000 of the Department's Water and Wastewater Revenue Bonds, Series 2001B from variable rate bonds to a 4.09% fixed rate. The interest received from the Counterparty is based on the BMA (not to exceed the variable interest amount payable during the same period to the holders for the Department's Series 2001B Bonds) until May 2009. After May 2009, the rate will be 67% of the InterBank Offered Rate (LIBOR).

Notes to the Financial Statements, Continued

G. Long Term Obligations, continued

Fair value - As of December 31, 2005, the swap had a negative fair value of \$45,769,000 based on quoted market prices.

Credit risk - The negative fair value is the result of changes in the interest rate. As a result, the Department is not exposed to credit risks. However, if the interest rates change and the fair market value of the swap become positive, the Department would be exposed to a credit risk in the amount of the swap's fair value.

Basis risk - The interest rate swaps expose the Department 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.

Termination risk - The Counterparty has an ongoing option starting May 1, 2009, if the 180 day rolling average of the BMA Municipal Swap Index meets or exceeds 7%. If the swap is terminated, the variable rate bonds 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.

Fixed Rate BMA

Terms - In December 2001, the Department entered into an interest rate swap option agreement to convert \$105,705,000 of the Department's Water and Wastewater Revenue Bonds, Series 2001C from variable rate bonds to a 4.09% fixed rate. The interest received from the Counterparty is based on the BMA.

Fair value - As of December 31, 2005, the swap had a negative fair value of \$4,142,000 based on quoted market prices.

Credit risk - The negative fair value is the result of changes in the interest rate. As a result, the Department is not exposed to credit risks. However, if the interest rates change and the fair market value of the swap become positive, the Department would be exposed to a credit risk in the amount of the swap's fair value.

Basis risk - The interest rate swaps expose the Department 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.

Termination risk - The Counterparty has a one-time cancellation option on November 1, 2006. If the swap is terminated, the variable rate bonds 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.

Notes to the Financial Statements, Continued

G. Long Term Obligations, continued

Using the rates as of December 31, 2005, debt service requirements of the variable bonds and net swap payments, assuming current interest rates remain the same for their term, were as follows (in thousands):

Year Ending	Variable Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2006	\$ 370	\$ 18,057	\$ 2,537	\$ 20,964
2007	385	18,042	2,535	20,962
2008	400	18,026	2,532	20,958
2009	420	18,009	2,530	20,959
2010	440	17,992	2,528	20,960
2011-2015	2,500	89,674	12,597	104,771
2016-2020	3,095	89,114	12,519	104,728
2021-2025	46,425	86,582	12,181	145,188
2026-2030	89,050	71,962	10,128	171,140
2031-2035	110,240	52,020	7,311	169,571
2036-2040	134,065	28,694	3,987	166,746
2041	50,000	2,125	290	52,415
Total	<u>\$437,390</u>	<u>\$510,297</u>	<u>\$71,675</u>	<u>\$1,019,362</u>

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 sites 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 2001 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 \$31,922,000 reported as the landfill postclosure costs liability at December 31, 2005 represents the cumulative amount of postclosure costs expected to be incurred over the required 30 year monitoring period which began in 2001. These amounts are estimates calculated by the management of the City of what it would cost to perform all postclosure care. Actual costs may differ from 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.

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 Downtown Development Authority ("DDA") issued approximately \$85,000,000 in revenue bonds, in 1992 and again in 2002 refunding revenue bonds were issued. 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

Notes to Financial Statements – Continued

G. Long Term Obligations, continued

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, 2005, the DDA had outstanding \$61,280,000 in aggregate principal, representing DDA's portion of the Project.

In 1999 the City entered into an operating sublease agreement with another private company to operate and manage the 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 property lease value is being amortized over the life of the lease.

Debt Service Requirements

The following summarizes the debt service requirements of long-term debt at December 31, 2005 (excluding unamortized bond discount/premiums of \$662,000,000 for the Department of Aviation, \$38,881,578 for the Department of Watershed Management, and \$1,325,037 for the Recreation Authority and a \$595,000 premium for the Atlanta Development Authority (in thousands)).

Year Ended December 31,	Governmental Activities									
	General Obligations		Annual Bonds		SWMA Revenue Bonds		Limited Obligations		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 13,185	\$ 11,993	\$ 2,170	\$ 1,881	\$ 975	\$ 1,172	\$ 4,625	\$ 12,284	\$ 9,024	\$ 8,259
2007	14,095	11,341	2,260	1,792	1,020	1,126	5,485	12,285	9,339	7,816
2008	15,050	10,645	1,920	1,703	1,070	1,077	6,860	11,978	9,664	7,357
2009	12,115	9,950	1,850	1,636	1,125	1,024	8,460	11,585	9,236	6,895
2010	12,230	9,360	1,935	1,578	1,180	968	8,875	11,134	7,650	6,451
2011-2015	59,610	38,774	8,630	6,925	6,850	3,882	49,245	48,099	36,245	26,712
2016-2020	75,935	22,684	9,205	5,536	8,775	1,960	62,760	33,335	25,505	18,192
2021-2025	44,190	4,335	9,485	3,608	2,040	107	65,615	13,719	23,646	12,194
2026-2027	-	-	-	-	-	-	16,330	2,388	36,219	4,050
	<u>\$ 246,410</u>	<u>\$ 119,082</u>	<u>\$ 37,455</u>	<u>\$ 24,659</u>	<u>\$ 23,035</u>	<u>\$ 11,316</u>	<u>\$ 228,255</u>	<u>\$ 156,807</u>	<u>\$ 166,528</u>	<u>\$ 97,926</u>
Year Ended December 31,	Business-Type Activities						Component Units			
	Aviation		Watershed Management		Underground Atlanta		Recreation Authority		Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2006	\$ 33,935	\$ 131,813	\$ 24,747	\$ 124,558	\$ 4,225	\$ 3,358	\$ 18,122	\$ 18,218	\$ 206	\$ 3,362
2007	49,387	129,822	25,731	123,449	4,445	3,127	8,150	17,846	371	3,352
2008	53,231	127,786	26,876	122,276	4,710	2,883	6,935	17,487	433	3,334
2009	59,277	125,682	29,997	121,324	4,995	2,625	7,325	17,092	595	3,313
2010	111,837	123,861	31,178	119,742	5,305	2,351	7,735	16,674	667	3,280
2011-2015	381,575	515,467	181,846	575,228	30,560	7,102	51,045	77,928	4,730	15,696
2016-2020	489,690	416,586	235,081	521,266	7,040	386	69,115	63,056	5,779	14,189
2021-2025	599,885	302,705	302,679	453,161	-	-	72,250	34,948	7,767	12,199
2026-2030	750,460	164,093	384,345	369,200	-	-	52,175	10,263	10,423	9,542
2031-2035	275,850	28,404	485,168	265,576	-	-	20,725	3,045	13,942	6,023
2036-2040	-	-	604,890	139,609	-	-	-	-	10,992	1,269
2041-2045	-	-	233,600	19,796	-	-	-	-	619	101
2046-2049	-	-	-	-	-	-	-	-	335	13
	<u>\$ 2,805,127</u>	<u>\$ 2,066,219</u>	<u>\$ 2,566,138</u>	<u>\$ 2,955,185</u>	<u>\$ 61,280</u>	<u>\$ 21,832</u>	<u>\$ 313,577</u>	<u>\$ 276,557</u>	<u>\$ 56,859</u>	<u>\$ 75,673</u>

Notes to Financial Statements – Continued

G. Long Term Obligations, continued

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 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, 2005, the City has \$186,000,000 in defeased Various Purpose General Obligation Bonds, \$518,315,000 in defeased Airport Extension and Improvement Bonds, and \$572,430,000 in defeased Water and Wastewater Revenue Bonds. The unamortized loss on these defeased Water and Wastewater Revenue Bonds was \$35,921,000 at December 31, 2005 and \$108,548,000 for the Airport Extension and Improvement Bonds.

Notes to the Financial Statements - Continued

H. Reserved Net Assets and Restricted Assets

The various bond covenants require certain reservations of Net Assets of the Department of Watershed Management and the Department of Aviation. Reserved Net Assets at December 31, 2005 are as follows (in thousands):

	<u>Department of Watershed Mgt.</u>	<u>Department of Aviation</u>
Passenger & customer facility charges	\$ -	\$509,321
Capital construction improvements	55,691	-
Debt service and debt service reserve	<u>776</u>	<u>74,970</u>
Total	<u>\$56,467</u>	<u>\$584,291</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 III. G. related to long-term obligations. Restricted assets of the enterprise funds at December 31, 2005 are as follows (in thousands):

	<u>Department of Watershed Mgt.</u>	<u>Department of Aviation</u>	<u>Total</u>
Renewal and Extension Funds:			
Grants receivable	\$ -	\$ 1,657	\$ 1,657
Commercial paper investments	-		25,777
Interest receivable	-	53	53
Passenger Facility Charges Fund:			
Investments	-	464,547	464,547
Cash	-	21,338	21,338
Accounts receivable	-	270	270
Interest receivable	-	1,463	1,463
Customer Facility Charge Fund:			
Cash	-	3,501	3,501
Accounts receivable	-	1,734	1,734
Construction Funds:			
Investments	1,152,097	1,333,811	2,485,908
Sales tax receivable	19,165	-	19,165
Interest receivable	1,742	10,868	12,610
Sinking Funds:			
Cash	-	1,379	1,379
Investments	26,354	98,750	125,104
Interest Receivable	-	370	370
Due from other funds	<u>18,586</u>	<u>-</u>	<u>18,586</u>
Total	<u>\$1,217,944</u>	<u>\$1,965,518</u>	<u>\$3,183,462</u>

Notes to the Financial Statements-Continued

IV. Other Information

A. Risk Management

Self-insurance

The City is self-insured for workers' compensation, parts of the medical and dental plan, 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 funds expected to be paid subsequent to one year are recorded only in the government-wide financial statements.

Workers' Compensation

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. The calculation of the present value of future workers' compensation liabilities, as calculated by the outside actuary, is based on a discount rate of 4.0 % for both 2005 and 2004.

Health and Dental Insurance

In 2005, the City moved from fully insured medical and dental plans to self insured plans for the Blue Cross Blue Shield Point of Service (POS) and the United Healthcare Preferred Provided organization (PPO) plans. In addition, the CIGNA dental plan is now self insured. The Kaiser HMO, OHS dental access plan and Spectera vision plan remain fully insured. The City's health and dental liability is calculated by an outside actuary firm. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR).

Changes in the balances of claims liabilities for workers' compensation, health/dental insurance and general claims liabilities during 2004 and 2005 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:				
2004	\$31,079	\$ 8,290	\$ (6,933)	\$32,436
2005	\$32,436	\$ 6,006	\$ (6,603)	\$31,839
Health and Dental claims				
2004	Fully insured	Fully insured	Fully insured	Fully insured
2005	\$ 0	\$ 36,277	\$(32,323)	\$ 3,954
General claims liability:				
2004	\$15,855	\$ 930	\$ (1,086)	\$15,699
2005	\$15,699	\$ 1,763	\$ (2,836)	\$15,002

Notes to the Financial Statements-Continued

A. Risk Management, continued

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.

B. Employee Retirement Systems and Pension Plans

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 Atlanta Independent School System (the "School System") who are not covered under the Teachers Retirement System of Georgia, were eligible to participate in the General Employees' Pension Plan. In addition, certain School System 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 School System. 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 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 to 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.

Effective September 1, 2005, classified employees currently in the Defined Contribution Plan have the one-time option of transferring to the General Employee's Pension Plan. Classified employees not covered by either the Police Officers or Firefighters' Pension Plans, hired after September 1, 2005 are required to become members of the General Employee's Pension Plan.

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

Complete financial statements for all Plans, except the 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 – 2.5% * for each year of service to a maximum of 32 years.
- Firefighters – 3% * for each year of service to a maximum of 26.67 years.
- Police Officers – 3% for each year of service to a maximum of 26.67 years.

* For General employees increased from 2.0% for each year of service with no maximum years and for Firefighters increased from 2.0% for each year of service prior to March 31, 2001 plus 3% for each year of service subsequent to March 31, 2001 with no maximum years by Ordinance 05-O-1232, approved by City Council on September 6, 2005 and approved by the Mayor on September 12, 2005.

Normal retirement, after 10 * years of service, is available at age 60 for City employees and at age 55 for Police and Fire employees. In addition, City employees in the General employee Pension Fund, Police and Fire are eligible to retire after 30 years of service **, at any age. 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.

* Decreased from 15 years of service by Ordinance 05-O-1232, adopted by City Council on September 6, 2005 and approved by the Mayor on September 12, 2005.

** The 30 and out provision was approved for General employees by Ordinance 05-O-1971, adopted by City Council on November 7, 2005 and approved by the Mayor on November 14, 2005. The same provision for Police was adopted by Ordinance 05-O-1731 adopted by City Council on October 17, 2005 and approved by the Mayor on October 25, 2005.

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.

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

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, 2005, 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	3,039	749	1,041	4,829
Current active employees				
Fully vested	2,122	482	576	3,180
Partially vested	826	238	531	1,595
Not vested	<u>580</u>	<u>181</u>	<u>531</u>	<u>1,292</u>
Total membership	<u>6,567</u>	<u>1,650</u>	<u>2,679</u>	<u>10,896</u>

The payroll and covered payroll for the year ended December 31, 2005 are as follows:

Total current year payroll	<u>\$185,560</u>	<u>\$45,625</u>	<u>\$77,840</u>	<u>\$309,025</u>
Total current year covered payroll	<u>\$157,665</u>	<u>\$38,774</u>	<u>\$70,973</u>	<u>\$267,412</u>

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 45* 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.

* Amended from 40 years to 45 years by Ordinance 05-O-1232, adopted by City Council on September 6, 2005 and approved by the Mayor on September 12, 2005.

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

The required contribution percentages, developed in the most recent actuarial valuations for the plans, to cover pension liabilities and the actual 2005 contribution amounts are (dollars in thousands):

	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>
Normal cost	12.32%	19.48%	21.39%
Amortization of the unfunded actuarial accrued liability	<u>25.73%</u>	<u>27.71%</u>	<u>26.77%</u>
Total required contributions as a percentage of payroll	<u>38.05%</u>	<u>47.19%</u>	<u>48.16%</u>
2005 actual employee contributions			
Dollar amount	\$10,894	\$ 3,040	\$ 5,239
Percent of covered payroll	6.9%	7.8%	7.4%
2005 actual City contributions			
Dollar amount	\$36,204	\$11,119	\$18,099
Percent of covered payroll	22.9%	28.7%	25.5%

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.

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>Plan/Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
General Employees			
2003	\$ 30,615	100%	\$ -
2004	37,084	100%	-
2005	51,773	71.6%	-
Firefighters			
2003	9,681	100%	-
2004	17,452	100%	-
2005	14,040	85.3%	-
Police Officers			
2003	15,062	100%	-
2004	30,459	100%	-
2005	25,271	75.0%	-

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

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 45* 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, 2005) calculations for funding purposes are:

	General Employees	Firefighters	Police Officers
Rate of return on investments	8%	8%	8%
Projected salary increases for			
Inflation	4.5%	2.5%	2.5%
Merit or seniority and Productivity	.75 – 4.5%	4.5%	4.5%
Post-retirement benefit increases	3%	2.5%	2.5%

* Amended from 40 years to 45 years by Ordinance 05-O-1232, adopted by City Council on September 6, 2005 and approved by the Mayor on September 12, 2005.

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, 2005:

	General Employees	Firefighters	Police Officers
Basis of accounting	Accrual	Accrual	Accrual
Asset valuation			
Reporting	Fair Value	Fair Value	Fair Value
Actuarial valuation	Fair Value	Fair Value	Fair Value
Internal loans	None	None	None
Non-governmental individual investment in excess of 5% of net assets	None	None	None

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

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.

Effective September 1, 2005, classified employees currently in the Defined Contribution Plan have the one-time option of transferring to the General Employee's Pension Plan. Classified employees not covered by either the Police Officers or Firefighters' Pension Plans, hired after September 1, 2005 are required to become members of the General Employee's Pension Plan.

As of December 31, 2005 there were 3,760 participants in the Defined Contribution Plan. The covered payroll for employees in the Plan was \$70,379,875. Employee contributions for the year ended December 31, 2005 were \$4,048,985 and employer contributions were \$3,882,700 or 5.8% and 5.5% of covered payroll, respectively.

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.

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, 3,916 retirees meet the eligibility requirements. The City contributes 79% of the premium cost for the median priced health care coverage and contributes \$4.05 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 and self-insurance claims are paid to the private insurers and such costs totaled \$26,674,289 in 2005. The City's contribution to this cost was \$ 20,578,637.

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

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.

C. Commitments and Contingent Liabilities

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 numerous 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.

Internal Revenue Service Notification

The Internal Revenue Service has notified the City that its Water and Wastewater Revenue Bonds, Series 1999A were selected for review because of transactions during 2000 between a former broker who handled investment of the bond proceeds and the bank that provided the investment agreements. The City is cooperating with the IRS in its investigation and expects that the tax-exempt status of the bonds will be preserved.

Construction and Commitments

At December 31, 2005, the total estimated costs on committed projects are \$666,470,000 and \$122,451,000 for the Department of Aviation and Department of Watershed Management, respectively

Notes to the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

Department of Watershed Management

Commitments

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 gives DeKalb County the right to use 25 MGD or 20.8% of the plant capacity.

Additional capital improvements may be made to the Plant upon the determination by the Department that excessive flows or loads are impairing the efficient operation of the City's sewer system, improved processes are available, and that additional improvements are necessary or desirable for the efficient operation of the Department or to comply with applicable laws. In any such event, the Department 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 their 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 to 50 MGD or 49% of the design capacity of 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 their sewerage flows bears to the total flows to the plants. The municipalities' shares of the operation and maintenance costs for the plants for the year ended December 31, 2005 was \$13,740,000. These payments are treated as operating revenue for the Department.

The municipalities have agreed to share in the capital improvement costs made to certain plants with their share being based on their portion of the sewerage flow. There were no capital improvement costs for the plants charged to the municipalities in 2005. These charges, when earned, are treated as nonoperating revenue and are included in capital contributions. The amounts receivable from those municipalities is included in the amount due from other governmental units in the accompanying financial statements.

Consent Decrees for Wastewater System

The Department 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. (the "Riverkeeper"), brought suit

Notes to the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

against the City 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 Environment Protection Agency (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.

The plaintiffs alleged that the City violated the terms of its permits which authorize discharge of Wastewater from the City's Combined Sewer Overflows (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 (the "FACD") was entered with the United States District Court for the Northern District of Georgia. The United States, the State of Georgia, and the City are the parties to the FACD. Because claims brought by Riverkeeper were resolved under the CSO Consent Decree, Riverkeeper is not a party to the FACD.

First Amended Consent Decree

The FACD 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 to complete upgrades at the R.M. Clayton, Utoy Creek, Intrenchment Creek, and South River Water Reclamation Centers; install and implement a maintenance management system, revise the current operations program, and implement upgrades to the current laboratory information system; and review its interjurisdictional agreements to address over-loading and pretreatment issues. All capital improvements, upgrades, and repairs under the FACD must be completed by July 1, 2014 (There are many milestones along the way that must be completed on schedule).

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, Proctors 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 the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

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

In 2002, the City 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. In October 2002, the panel recommended a plan that consolidated the partial separation of 27% of the combined sewers over the six basins provided by the Authorized Plan into complete separation of the combined sewers in two basins and one sub-basin at an estimated cost of \$753 million. The City is currently executing its remedial plan with all projects under construction or in the construction bid phase. Under the CSO Consent Decree the deadline for completion of any new or additional capital improvement is November 7, 2007.

The City is actively seeking federal and state grants and loans and other sources of funding to perform the tasks outlined in the Clean Water Atlanta (the "CWA") Program. Key elements of the comprehensive funding and financing plan include:

- Municipal Option Sales Tax (MOST) - Effective October 1, 2004, a 1% Municipal sales and use tax is being collected for retail sales and use occurring in the incorporated city limits of Atlanta. Proceeds from this tax are specifically for funding renovations to the City's water and sewer system. MOST is estimated to provide \$70 million per year. The MOST was approved by the City of Atlanta residents in the July, 2004 general election for a period not to exceed four years and for raising not more than \$750,000,000. Up to two extensions, at four years each, can be approved by a vote of City of Atlanta residents. Proceeds from the MOST for 2005 were \$102,171,000, of which \$19,165,000 was receivable from the Georgia Department of Revenue at December 31, 2005.
- Federal Appropriation - Some small Federal grants have been obtained and efforts to secure additional federal grants continue.
- State GEFA Loans - The State of Georgia passed legislation to provide up to \$50 million per year in low interest Georgia Environmental Facilities Authority (GEFA) loans to the City. The City is pursuing the maximum loan amount for each year of the CWA Program. In 2005, the City received \$19,006,000 in GEFA funding. As of December 31, 2005, the City had \$23,372,000 of loans outstanding to GEFA.

Notes to the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

- In January 2004, the Atlanta City Council approved annual increases to the current water and wastewater rates to support revenue bonds financing of the five year portion (2004-2008) of the CWA Capital Improvement Program. The new, graduated three tiered rate structure is intended to minimize, to the extent possible, the impact of rate increases on ratepayers to maintain affordability and to permit water conservation. In 2005, the rates were adjusted downward from originally approved rates, due to the additional revenues received through the MOST tax. The current rates are summarized below. In addition to the rates shown below, each water and wastewater bill includes a \$.154 per 100 cubic feet (CF) security surcharge.

Graduated Monthly Wastewater Rate Structure

Water Consumption	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
0-3 ccf	\$ 4.90	\$ 4.95	\$ 4.46	\$ 4.90	\$ 7.04
4-6 ccf	\$ 5.61	\$ 5.67	\$ 6.24	\$ 6.86	\$ 9.83
Above 7 ccf	\$ 6.45	\$ 6.52	\$ 7.17	\$ 7.89	\$ 13.29

Graduated City Monthly Water Rates Structure

Water Consumption	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
0-3 ccf	\$ 1.93	\$ 1.95	\$ 1.17	\$ 1.29	\$ 2.76
4-6 ccf	\$ 2.21	\$ 2.23	\$ 2.45	\$ 2.70	\$ 3.88
Above 7 ccf	\$ 2.54	\$ 2.57	\$ 2.82	\$ 3.10	\$ 5.23

Greenway Acquisition

The CSO Consent Decree requires the City to fund \$25 million by March 31, 2006 for the Greenway Acquisition Project for acquisition of properties adjacent to urban streams. The properties are buffers measured one hundred feet from the top of the bank to be maintained in perpetuity in a natural state.

As of December 31, 2005, the City has acquired 971 acres of property and has spent \$15,124,000 on development of the Greenway Plan and to acquire and maintain the buffers. At December 31, 2005, the City has deposited the required \$25 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 improvement at the Chattahoochee and Hemphill Treatment Plants, as well as operational improvement to ensure compliance with 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.

Notes to the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

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:

Project Types	Total 2006-2016 CIP (In Millions)
Wastewater Projects:	
CSO Consent Decree	\$ 809
First Amended Decree	1,841
Regulatory	132
R&E Fund Projects	164
Subtotal	2,946
Water Projects:	
Consent Order	130
Non-Consent Order	810
Subtotal	940
Grand total	\$ 3,886

D. Correction of Prior Period Errors

Beginning net assets/fund balances have been adjusted in the statements pursuant to the following corrections of prior year errors.

General Fund

During 2005, the City recorded a capital lease obligation, however, the corresponding capital expenditures were not recorded at the fund level in previous years in the amount of \$7,097,000. As a result beginning fund balance has been decreased by \$7,097,000. (The capital asset had been recorded in the government-wide statements when GASB 34 was implemented in 2002).

During 2005, City Council approved a resolution to transfer traffic court operations, previously recorded in special revenue funds, to the general fund. Beginning fund balance of the general fund has been increased by \$989,000 as a result of this transfer.

Notes to the Financial Statements - Continued

D. Correction of Prior Period Errors, continued

Sanitation Fund

The sanitation fund overstated the value of landfill postclosure liability by \$4,635,000 at December 31, 2004. Net assets at the beginning of the year have been restated to properly reflect this correction as a prior period error in the nonmajor enterprise fund combining statement of revenues, expenses and changes in net assets.

E. Subsequent Events

In March 2006, the Department of Watershed Management authorized the issuance of Water and Wastewater Commercial Paper Notes Series 2006 in the amount of \$600,000,000. The proceeds of the Series 2006 Notes are being used to (a) finance, or refinance, on an interim basis, the cost of planning, engineering, design, acquisition, construction and reconstruction of certain additions, extensions, improvements and betterments included as a part of a multi-phase long term capital improvement program for the Department and (b) the costs associated with the issuance of the Series 2006 Notes. The Series 2006 Notes have varying maturities of not more than 270 days from their respective dates of issuance. The Series 2006 Notes bear interest, payable at maturity, at rates, not to exceed 12% per annum. Revenue of the Department is pledged as security for payments on the 2006 Notes, which is junior and subordinate to the lien on and pledge of the Pledged Revenue securing the Outstanding Senior Obligations. The Department has issued \$1,000,000 of the Series 2006 Notes.

On March 13, 2006, the City entered into a declaration and agreement concerning development, easements and real covenants with Ponce Park, LLC for the sale of City Hall East to Ponce Park, LLC (Phase II). On November 28, 2005, the City had entered into an agreement of purchase and sale with Ponce Park, LLC (Phase I) for the sale of the parking lot associated with City Hall East for \$6.0 million. City Hall East currently houses the headquarters for the Atlanta Police Department, the Atlanta Fire Department and the City's 911 Center. The Parks, Recreation and Cultural Affairs department also has administrative offices in City Hall East. The City has until August 2008 to vacate the building. The City is currently exploring various alternatives for the City departments currently housed in City Hall East.

On March 15, 2006, the Atlanta Development Authority issued \$39,816,783 in tax allocation district (TAD) bonds on behalf of the City for the Princeton Lakes TAD.

On April 26, 2006, the Atlanta Development Authority issued \$166,515,000 in TAD bonds on behalf of the City for the Atlantic Station II TAD.

On June 21, 2006, the City of College Park, Georgia issued \$211,880,000 in Taxable Revenue Bonds (Hartsfield-Jackson Atlanta International Airport Consolidated Rental Car Facility Project), Series 2006A for the purpose of acquiring, constructing and installing a consolidated rental car facility. In addition, College Park issued \$21,980,000 in Revenue Bonds (Hartsfield-Jackson Atlanta International Airport Automated People Mover System Maintenance Facility Project), Series 2006B for the purpose of acquiring, constructing and installing a maintenance facility for an automated people mover system. The related bonds are secured by a lease agreement between the City of Atlanta and the City of College Park with lease payments being paid from customer facility charges collected by the Department of Aviation.

Notes to the Financial Statements - Continued

E. Subsequent Events, continued

On June 30, 2006, the City purchased the Bellwood Quarry property in northwest Atlanta from Vulcan Materials Company and Fulton County. The 137-acre property will become part of a planned 300-acre park and a 50-acre drinking water reservoir. The City purchased Vulcan's interest in its long-term lease for \$25 million and Fulton County's underlying fee interest for \$15.2 million. In addition, the City entered into an inter-governmental agreement with Fulton County in which the City committed to supply Fulton County with 175 beds in the City Detention Center at \$68 per day for 5 years. Fulton County has the right to renew the contract for an additional 2 years at an agreed-upon rate.



**Required Supplementary
Information**

CITY OF ATLANTA, GEORGIA

Required Supplementary Information

Schedule of Funding Progress
(Amounts in thousands)

<u>Plan/ 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						
01/01/00	\$ 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	189.5%
01/01/04	681,159	1,110,501	61.3%	429,342	160,767	267.1%
Firefighters						
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%
01/01/04	321,908	417,092	77.2%	95,184	38,303	248.5%
Police Officers						
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%
01/01/04	440,212	617,501	71.3%	177,289	177,829	280.2%

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 45* 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:

	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>
Rate of return on investments	8%	8%	8%
Projected salary increases for			
Inflation	4.5%	2.5%	2.3%
Merit of seniority and productivity	.75 – 4.5%	4.5%	4.5%
Post-retirement benefit increases	3%	2.5%	2.5%

* Amended from 40 years to 45 years by Ordinance 05-O-1232, adopted by City Council on September 6, 2005 and approved by the Mayor on September 12, 2005.

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Nonmajor Governmental Funds

Special Revenue Funds

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

Community Development Fund - Established to account for the revenue and expenditure 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 Fund, and the Community Development Funds.

Atlantic Station Tax Allocation District – Established by the law creating the district to account for the proceeds of bond 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.

Westside Tax Allocation District – 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.

Northwest Atlanta Tax Allocation District – Established by the law creating the district to account for the proceeds of bonds to be issued to develop the Northwest Atlanta area.

Princeton Lakes Tax Allocation District – Established by the law creating the district to account for the proceeds of bonds to be issued to develop the Princeton Lakes area.

Eastside Tax Allocation District: Established by the law creating the district to account for the proceeds of bonds issued to develop the Eastside area.

Other Special Revenue – Accounts for other restricted monies (expendable trust funds) that are classified as Special Revenue Funds. Established to account for activities in which the city acts as trustee for an individual organization, or other governmental units.

Capital Projects Funds

Capitals projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary fund and trust funds.

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 Capital Outlay Fund – Established to record the acquisition, construction or improvement of capital assets which are funded by working capital obtained from certificates of participation and funds allocated from general government resources (transfers): dedicated taxes or a combination of financing sources which are not funded by the issuance of general obligation bonds.

Solid Waste Management Authority Fund – Established to account for the revenues and expenditures associated with the operation and management of debt financings related to post closure costs 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.

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CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds

Combining Balance Sheet
December 31, 2005
(In Thousands)

	Special Revenue Funds			
	Community Development	Inter - governmental Grants	Tax Allocation Districts	Other Special Revenue
ASSETS				
Cash	\$ 4,012	\$ 4,250	\$ 18	\$ 10,945
Investments in pooled investment fund	-	871	-	42,722
Investments	-	-	134,279	3,048
Receivables				
Taxes	-	-	-	-
Accounts	-	999	-	400
Other	-	321	-	-
Due from other governmental units and agencies	746	7,753	-	400
Due from other funds	201	887	8	972
Restricted investments	-	-	25,161	-
Investment in escrow	-	-	-	-
Total assets	\$ 4,959	\$ 15,081	\$ 159,466	\$ 58,487
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 925	\$ 2,573	\$ 6	\$ 1,301
Accrued salaries, vacation, and compensatory pay	43	185	-	31
Contract retentions	81	306	-	-
Due to other governments	-	-	4,634	-
Due to other funds	1,834	9,256	9	1,397
Deferred revenues	-	1,547	-	-
Total liabilities	2,883	13,867	4,649	2,729
Fund balances:				
Reserved for:				
Encumbrances	1,778	10,454	-	3,834
Programs	298	-	154,817	51,924
Capital Outlays	-	-	-	-
Unreserved	-	(9,240)	-	-
Total fund balances	2,076	1,214	154,817	55,758
Total liabilities and fund balances	\$ 4,959	\$ 15,081	\$ 159,466	\$ 58,487

Capital Projects Funds				Total Nonmajor Governmental Funds
Park Improvement	Special Assessment	General Governmental Capital Outlay	Solid Waste Management Authority	
\$ -	\$ -	\$ 6	\$ 126	\$ 19,357
8,591	1,635	-	-	53,819
-	-	25,612	-	162,939
564	-	-	-	564
-	19	-	-	1,418
-	-	-	-	321
-	-	-	-	8,899
-	-	3,600	-	5,668
-	-	4,330	-	29,491
-	-	1,376	3,051	4,427
<u>\$ 9,155</u>	<u>\$ 1,654</u>	<u>\$ 34,924</u>	<u>\$ 3,177</u>	<u>\$ 286,903</u>
\$ 146	\$ -	\$ 297	\$ -	\$ 5,248
28	-	3	-	290
44	-	-	-	431
80	-	-	-	4,714
-	-	19,555	-	32,051
564	-	-	-	2,111
<u>862</u>	<u>-</u>	<u>19,855</u>	<u>-</u>	<u>44,845</u>
222	334	2,799	-	19,421
-	-	-	-	207,039
8,071	1,320	12,270	3,177	24,838
-	-	-	-	(9,240)
<u>8,293</u>	<u>1,654</u>	<u>15,069</u>	<u>3,177</u>	<u>242,058</u>
<u>\$ 9,155</u>	<u>\$ 1,654</u>	<u>\$ 34,924</u>	<u>\$ 3,177</u>	<u>\$ 286,903</u>

CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005
(In Thousands)

	Special Revenue Funds			
	Community Development	Inter - governmental Grants	Tax Allocation Districts	Other Special Revenue
Revenues:				
Property taxes	\$ -	\$ -	\$ 18,771	\$ -
Charges for current services	-	10,043	-	2,303
Charges for special assessments	-	-	-	-
Fines, forfeitures and penalties	-	-	-	2,284
Investment income	60	255	406	1,683
Intergovernmental revenues:				
U.S. Government grants	11,175	17,864	-	1,441
State and local governments	-	9,268	-	11,232
Total intergovernmental revenues	11,175	27,132	-	12,673
Other	942	1,749	-	7,363
Total revenues	12,177	39,179	19,177	26,306
Expenditures:				
Current:				
General government:				
Executive Offices	2,203	6,379	-	881
Personnel and human services	-	-	-	5
City Council	-	-	-	36
Courts and judicial agencies	-	1,092	-	71
Finance	731	167	-	167
Housing, planning and development	4,852	8,684	-	1,988
Law	88	49	-	-
Total general government	7,874	16,371	-	3,148
Police	-	4,387	-	2,163
Fire	-	1,163	-	49
Corrections	33	48	-	639
Public Works	484	5,259	-	30
Parks, Recreation, and Cultural Affairs	1,441	211	-	3,560
Nondepartmental	63	58	12,418	3,650
Debt service:				
Principal payments	1,635	-	2,240	100
Interest payments	350	-	6,283	301
Bond issuance costs	-	-	705	-
Total debt service	1,985	-	9,228	401
Total expenditures	11,880	27,497	21,646	13,640
Excess (Deficiency) of revenues over (under) expenditures	297	11,682	(2,469)	12,666
Other financing sources (uses):				
Transfers in (out)	-	(8,807)	-	(1,001)
Proceeds from long-term debt	-	-	130,045	-
Discount on sale of bonds	-	-	(1,581)	-
Total other financing sources (uses)	-	(8,807)	128,464	(1,001)
Revenues and other sources over (under) expenditures and other uses	297	2,875	125,995	11,665
Fund balances, beginning of year, as restated	1,779	(1,661)	28,822	44,093
Fund balances, end of year	\$ 2,076	\$ 1,214	\$ 154,817	\$ 55,758

Capital Projects Funds

Park Improvement	Special Assessment	General Governmental Capital Outlay	Solid Waste Management Authority	Totals
\$ 8,325	\$ -	\$ -	\$ -	\$ 27,096
-	-	-	-	12,346
-	278	2,493	-	2,771
-	-	-	-	2,284
251	49	867	84	3,655
-	-	-	-	30,480
-	-	-	-	20,500
-	-	-	-	50,980
340	-	3,304	790	14,488
8,916	327	6,664	874	113,620
-	-	-	-	9,463
-	-	-	-	5
-	-	-	-	36
-	-	-	-	1,163
-	-	-	-	1,065
-	-	160	-	15,684
-	-	-	-	137
-	-	160	-	27,553
-	-	-	-	6,550
-	-	22	-	1,234
-	-	-	-	720
-	-	1,578	9	7,360
8,251	-	413	-	13,876
-	-	-	-	16,189
-	-	-	930	4,905
-	-	-	-	6,934
-	-	-	-	705
-	-	-	930	12,544
8,251	-	2,173	939	86,026
665	327	4,491	(65)	27,594
-	-	-	930	(8,878)
-	-	1,085	-	131,130
-	-	-	-	(1,581)
-	-	1,085	930	120,671
665	327	5,576	865	148,265
7,628	1,327	9,493	2,312	93,793
\$ 8,293	\$ 1,654	\$ 15,069	\$ 3,177	\$ 242,058

CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds - Tax Allocation Districts

Combining Balance Sheet
December 31, 2005
(In Thousands)

	<u>Atlantic Station</u>	<u>Westside</u>	<u>Northwest Atlanta</u>	<u>Princeton Lake</u>	<u>Eastside</u>	<u>Total</u>
ASSETS						
Cash	\$ -	\$ 17	\$ -	\$ -	\$ 1	\$ 18
Investments	7,956	85,527	-	-	40,796	134,279
Due from other funds	7	-	-	-	1	8
Restricted investments	<u>5,692</u>	<u>8,959</u>	<u>1,681</u>	<u>48</u>	<u>8,781</u>	<u>25,161</u>
Total assets	<u>\$ 13,655</u>	<u>\$ 94,503</u>	<u>\$ 1,681</u>	<u>\$ 48</u>	<u>\$ 49,579</u>	<u>\$ 159,466</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 4	\$ 2	\$ -	\$ -	\$ -	\$ 6
Due to other governments	-	-	-	-	4,634	4,634
Due to other funds	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>-</u>	<u>9</u>
Total liabilities	<u>4</u>	<u>2</u>	<u>9</u>	<u>-</u>	<u>4,634</u>	<u>4,649</u>
Fund balances:						
Reserved for:						
Programs	<u>13,651</u>	<u>94,501</u>	<u>1,672</u>	<u>48</u>	<u>44,945</u>	<u>154,817</u>
Total fund balances	<u>13,651</u>	<u>94,501</u>	<u>1,672</u>	<u>48</u>	<u>44,945</u>	<u>154,817</u>
Total liabilities and fund balances	<u>\$ 13,655</u>	<u>\$ 94,503</u>	<u>\$ 1,681</u>	<u>\$ 48</u>	<u>\$ 49,579</u>	<u>\$ 159,466</u>

CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds - Tax Allocation Districts

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005
(In Thousands)

	Atlantic Station	Westside	NW Atlanta	Princeton Lake	Eastside	Total
Revenues:						
Property taxes	\$ 6,471	\$ 4,979	\$ 1,120	\$ 29	\$ 6,172	\$ 18,771
Investment income	300	96	-	-	10	406
Total revenues	<u>6,771</u>	<u>5,075</u>	<u>1,120</u>	<u>29</u>	<u>6,182</u>	<u>19,177</u>
Expenditures:						
Current:						
Nondepartmental	46	3,670	-	-	8,702	12,418
Debt service:						
Principal payments	1,655	585	-	-	-	2,240
Interest payments	5,929	354	-	-	-	6,283
Bond issuance costs	4	351	-	-	350	705
Total debt service	<u>7,588</u>	<u>1,290</u>	<u>-</u>	<u>-</u>	<u>350</u>	<u>9,228</u>
Total expenditures	<u>7,634</u>	<u>4,960</u>	<u>-</u>	<u>-</u>	<u>9,052</u>	<u>21,646</u>
Excess (Deficiency) of revenues over (under) expenditures	(863)	115	1,120	29	(2,870)	(2,469)
Other financing sources (uses):						
Proceeds from long-term debt	-	82,565	-	-	47,480	130,045
Discount on sale of bonds	-	(598)	-	-	(983)	(1,581)
Total other financing sources	<u>-</u>	<u>81,967</u>	<u>-</u>	<u>-</u>	<u>46,497</u>	<u>128,464</u>
Revenues and other sources over (under) expenditures and other uses	(863)	82,082	1,120	29	43,627	125,995
Fund balances, beginning of year, as restated	<u>14,514</u>	<u>12,419</u>	<u>552</u>	<u>19</u>	<u>1,318</u>	<u>28,822</u>
Fund balances, end of year	<u><u>\$13,651</u></u>	<u><u>\$94,501</u></u>	<u><u>\$ 1,672</u></u>	<u><u>\$ 48</u></u>	<u><u>\$ 44,945</u></u>	<u><u>\$ 154,817</u></u>

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	Community Development Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES				
Intergovernmental revenues-				
U.S. Government grants	\$ 12,741	\$ 25,090	\$ 10,595	\$ (14,495)
Other revenues	1,161	2,043	970	(1,073)
Total revenues	<u>13,902</u>	<u>27,133</u>	<u>11,565</u>	<u>(15,568)</u>
EXPENDITURES				
Current:				
Planning and Community Development	8,569	11,808	5,090	6,718
Parks, Recreation, and Cultural Affairs	2,809	5,797	1,227	4,570
Public Works	656	656	376	280
Fire	37	37	-	37
Department of Watershed	80	279	144	135
General government:				-
Executive offices	1,577	4,829	1,858	2,971
Finance	1,968	5,401	2,713	2,688
Law	41	94	88	6
Corrections	65	129	29	100
Nondepartmental	-	80	-	80
Total expenditures	<u>15,802</u>	<u>29,110</u>	<u>11,525</u>	<u>17,585</u>
Excess (deficiency) of revenues over under expenditures	(1,900)	(1,977)	40	<u>\$ 2,017</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	612	
To record effect of net change in unrecorded liabilities	-	-	(355)	
Excess (deficiency) of revenues over under expenditures - GAAP basis	(1,900)	(1,977)	297	
Fund balance - beginning	<u>1,900</u>	<u>1,900</u>	<u>1,779</u>	
Fund balance - ending	<u>\$ -</u>	<u>\$ (77)</u>	<u>\$ 2,076</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	Intergovernmental Grant Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES				
Intergovernmental revenues-				
U.S. Government grants	\$ 93,347	\$ 114,051	\$ 14,861	\$ (99,190)
State of Georgia grants	17,908	23,386	5,894	(17,492)
Other revenues	<u>9,542</u>	<u>14,203</u>	<u>3,787</u>	<u>(10,416)</u>
Total revenues	<u>120,797</u>	<u>151,640</u>	<u>24,542</u>	<u>(127,098)</u>
EXPENDITURES				
Current:				
Planning and Community Development	66,205	68,096	8,590	59,506
Parks, Recreation, and Cultural Affairs	2,588	2,598	83	2,515
Public Works	19,086	22,071	5,043	17,028
Fire	1,344	2,055	1,191	864
Department of Watershed	-	99	-	99
General government:	-	-	-	-
Executive offices	11,123	20,048	5,887	14,161
Police Services	5,489	12,522	3,410	9,112
Finance	245	476	147	329
Corrections	82	235	45	190
Courts and judicial agencies	715	1,104	597	507
Nondepartmental	<u>12,139</u>	<u>20,556</u>	<u>2,390</u>	<u>18,166</u>
Total expenditures	<u>119,016</u>	<u>149,860</u>	<u>27,383</u>	<u>122,477</u>
Excess (deficiency) of revenues over under expenditures	1,781	1,780	(2,841)	<u>\$ (4,621)</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	14,637	
To record effect of net change in unrecorded liabilities	<u>-</u>	<u>-</u>	<u>(8,921)</u>	
Excess (deficiency) of revenues over under expenditures - GAAP basis	1,781	1,780	2,875	
Fund balance - beginning	258	258	(1,661)	
Fund balance - ending	<u>\$ 2,039</u>	<u>\$ 2,038</u>	<u>\$ 1,214</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	Atlantic Station TAD Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ 5,229	\$ 6,478	\$ 6,471	\$ (7)
Miscellaneous				
Interest Earnings	342	732	390	(342)
Total revenues	<u>5,571</u>	<u>7,210</u>	<u>6,861</u>	<u>(349)</u>
EXPENDITURES				
Current:				
Nondepartmental	20,155	21,424	4,809	16,615
Total expenditures	<u>20,155</u>	<u>21,424</u>	<u>4,809</u>	<u>16,615</u>
Excess (deficiency) of revenues over under expenditures	<u>(14,584)</u>	<u>(14,214)</u>	<u>2,052</u>	<u>\$ 16,266</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	(90)	
To record effect of net change in unrecorded liabilities	-	-	(2,825)	
Excess (deficiency) of revenues over under expenditures - GAAP basis	(14,584)	(14,214)	(863)	
Fund balance - beginning	<u>14,584</u>	<u>14,584</u>	<u>14,514</u>	
Fund balance - ending	<u>\$ -</u>	<u>\$ 370</u>	<u>\$ 13,651</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	Westside TAD			
	Fund			
	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ 893	\$ 4,965	\$ 4,945	\$ (20)
Miscellaneous				
Interest Earnings	36	366	338	(28)
Total Revenues	<u>929</u>	<u>5,331</u>	<u>5,283</u>	<u>(48)</u>
EXPENDITURES				
Current:				
Nondepartmental	13,347	17,761	3,312	14,449
Total expenditures	<u>13,347</u>	<u>17,761</u>	<u>3,312</u>	<u>14,449</u>
Excess (deficiency) of revenues over under expenditures	<u>(12,418)</u>	<u>(12,430)</u>	<u>1,971</u>	<u>\$ 14,401</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	81,759	
To record effect of net change in unrecorded liabilities	-	-	(1,648)	
Excess (deficiency) of revenues over under expenditures - GAAP basis	(12,418)	(12,430)	82,082	
Fund balance - beginning	<u>12,418</u>	<u>12,418</u>	<u>12,419</u>	
Fund balance - ending	<u>\$ -</u>	<u>\$ (12)</u>	<u>\$ 94,501</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	NW Atlanta TAD Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ -	\$ 1,160	\$ 1,160	\$ -
Total Revenues	-	1,160	1,160	-
EXPENDITURES				
Current:				
Nondepartmental	552	1,660	-	1,660
Total expenditures	552	1,660	-	1,660
Excess (deficiency) of revenues over under expenditures	(552)	(500)	1,160	\$ 1,660
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	(40)	
To record effect of net change in unrecorded liabilities	-	-	-	
Excess (deficiency) of revenues over under expenditures - GAAP basis	(552)	(500)	1,120	
Fund balance - beginning	552	552	552	
Fund balance - ending	\$ -	\$ 52	\$ 1,672	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	Princeton Lakes TAD Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ -	\$ 29	\$ 29	\$ -
Total Revenues	-	29	29	-
EXPENDITURES				
Current:				
Nondepartmental	19	48	-	48
Total expenditures	19	48	-	48
Excess (deficiency) of revenues over under expenditures	(19)	(19)	29	\$ 48
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	-	
To record effect of net change in unrecorded liabilities	-	-	-	
Excess (deficiency) of revenues over under expenditures - GAAP basis	(19)	(19)	29	
Fund balance - beginning	19	19	19	
Fund balance - ending	\$ -	\$ -	\$ 48	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	Eastside TAD Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance With Final Budget
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ -	\$ 10,803	\$ 10,803	\$ -
Miscellaneous				
Interest Earnings	-	10	10	-
Total Revenues	-	10,813	10,813	-
EXPENDITURES				
Current:				
Nondepartmental	1,317	12,132	-	12,132
Total expenditures	1,317	12,132	-	12,132
Excess (deficiency) of revenues over under expenditures	(1,317)	(1,319)	10,813	\$ 12,132
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	41,866	
To record effect of net change in unrecorded liabilities	-	-	(9,052)	
Excess (deficiency) of revenues over under expenditures - GAAP basis	(1,317)	(1,319)	43,627	
Fund balance - beginning	1,317	1,317	1,318	
Fund balance - ending	\$ -	\$ (2)	\$ 44,945	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2005
(In Thousands)

	<u>Other Special Revenue</u>			
	<u>Original Budgeted Amounts</u>	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
REVENUES				
Intergovernmental revenues-				
U.S. Government grants	\$ 7,786	\$ 12,100	\$ 1,041	\$ (11,059)
State of Georgia grants	4,491	4,016	179	(3,837)
Other revenues	<u>5,207</u>	<u>25,754</u>	<u>25,205</u>	<u>(549)</u>
Total revenues	<u>70,763</u>	<u>41,870</u>	<u>26,425</u>	<u>(15,445)</u>
EXPENDITURES				
Current:				
Planning and Community Development	22,328	30,989	2,539	28,450
Parks, Recreation, and Cultural Affairs	5,796	10,493	3,329	7,164
Public Works	10,781	6,114	636	5,478
Fire	125	164	62	102
Department of Watershed	-	592	269	323
General government:				
Executive offices	2,015	3,313	1,887	1,426
Personnel & Human Resources	108	136	34	102
Police Services	4,210	4,961	2,248	2,713
City Council	26	66	39	27
Finance	6,428	6,781	172	6,609
Law	22	22	-	22
Corrections	2,820	4,712	597	4,115
Courts and judicial agencies	3,375	4,169	69	4,100
Nondepartmental	<u>6,288</u>	<u>13,973</u>	<u>3,935</u>	<u>10,038</u>
Total expenditures	<u>64,322</u>	<u>86,485</u>	<u>15,816</u>	<u>70,669</u>
Excess (deficiency) of revenues over under expenditures	6,441	(44,615)	10,609	<u>\$ 55,224</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	(119)	
To record effect of net change in unrecorded liabilities	<u>-</u>	<u>-</u>	<u>1,175</u>	
Excess (deficiency) of revenues over under expenditures - GAAP basis	6,441	(44,615)	11,665	
Fund balance - beginning	<u>44,594</u>	<u>-</u>	<u>44,093</u>	
Fund balance - ending	<u>\$ 51,035</u>	<u>\$ (44,615)</u>	<u>\$ 55,758</u>	

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Nonmajor Proprietary Funds

Enterprise Funds

Enterprise funds are used to report any activity for which a fee is charged to external users for good or services.

Operations of enterprise funds are designed to be self-supporting. The Department of Watershed Management, Department of Aviation, Sanitation Services, Parks and Recreation Facilities Underground Atlanta Project and Civic Center are accounted for as enterprise funds. The latter four were determined to be nonmajor proprietary funds and are presented herein.

Sanitation Fund – Established to account for the operation of sanitary services activities, including collection and disposal of garbage, recycled materials and yard trimmings.

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

Underground Atlanta – Established to account for the City’s portion 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.

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CITY OF ATLANTA, GEORGIA
Nonmajor Enterprise Funds

Combining Statement of Net Assets
December 31, 2005
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 656	\$ -	\$ -	\$ 656
Investments in Pooled Investment Fund	4,370	-	28	206	4,604
Receivables:					
Accounts	34,528	-	-	-	34,528
Less allowance for doubtful accounts	(29,675)	-	-	-	(29,675)
Total receivables	4,853	-	-	-	4,853
Due from other funds	5	34	14	12	65
Total current assets	9,228	690	42	218	10,178
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	28,702	3,210	12,669	-	44,581
Less accumulated depreciation	(19,094)	(5,778)	(49,043)	(3,198)	(77,113)
Property and equipment, net	17,154	4,191	43,068	1,507	65,920
Other assets	-	-	8,251	-	8,251
Total assets	\$ 26,382	\$ 4,881	\$ 51,361	\$ 1,725	\$ 84,349
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 976	\$ 33	\$ 320	\$ 75	\$ 1,404
Accrued salaries and vacation	1,083	98	-	54	1,235
Current maturities of capital leases	1,071	-	-	-	1,071
Current maturities of long-term debt	-	-	4,225	-	4,225
Current portion of other long-term liabilities	4,198	-	-	-	4,198
Due to other funds	19,315	41	-	32	19,388
Total current liabilities	26,643	172	4,545	161	31,521
Long-term liabilities :					
Long-term debt, excluding current maturities shown above	-	-	57,055	-	57,055
Capital lease obligation, excluding current maturities shown above	1,134	-	-	-	1,134
Accrued workers' compensation	8,809	-	-	-	8,809
Landfill postclosure costs	30,751	-	-	-	30,751
Total long-term liabilities	40,694	-	57,055	-	97,749
Total liabilities	67,337	172	61,600	161	129,270
Net Assets:					
Investment in capital assets, net of related debt	16,020	4,191	(13,987)	1,507	7,731
Unreserved (deficit)	(56,975)	518	3,748	57	(52,652)
Total net assets (deficit)	(40,955)	4,709	(10,239)	1,564	(44,921)
Total liabilities and net assets	\$ 26,382	\$ 4,881	\$ 51,361	\$ 1,725	\$ 84,349

CITY OF ATLANTA, GEORGIA
Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenditures and Changes in Net Assets
For the Year Ended December 31, 2005
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Total
Operating revenues:					
Charges for services	\$ 47,731	\$ 539	\$ -	\$ 203	\$ 48,473
Rentals, admissions, and concessions	-	25	2,414	1,203	3,642
Other	<u>1,620</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1,621</u>
Total operating revenues	<u>49,351</u>	<u>564</u>	<u>2,414</u>	<u>1,407</u>	<u>53,736</u>
Operating expenses:					
Salaries and employee benefits	21,452	634	-	712	22,798
Utilities	165	45	83	303	596
Materials and supplies	577	5	-	53	635
Repairs, maintenance, and other contractual services	1,000	61	1,118	370	2,549
Motor equipment service	6,421	11	-	5	6,437
Engineering and consultant fees	8,380	-	1,274	2	9,656
General services	1,813	30	5	12	1,860
Program services and other	<u>4,986</u>	<u>29</u>	<u>-</u>	<u>96</u>	<u>5,111</u>
Total operating expenses	<u>44,794</u>	<u>815</u>	<u>2,480</u>	<u>1,553</u>	<u>49,642</u>
Operating income (loss) before depreciation/amortization	4,557	(251)	(66)	(146)	4,094
Depreciation and amortization	<u>1,512</u>	<u>313</u>	<u>4,543</u>	<u>94</u>	<u>6,462</u>
Operating income (loss)	<u>3,045</u>	<u>(564)</u>	<u>(4,609)</u>	<u>(240)</u>	<u>(2,368)</u>
Nonoperating revenues (expenses):					
Interest expense	(663)	(6)	(3,992)	-	(4,661)
Investment income (loss)	<u>(28)</u>	<u>22</u>	<u>(21)</u>	<u>11</u>	<u>(16)</u>
Total nonoperating (expenses) revenues	<u>(691)</u>	<u>16</u>	<u>(4,013)</u>	<u>11</u>	<u>(4,677)</u>
Income (loss) before transfers	2,354	(548)	(8,622)	(229)	(7,045)
Transfers in	-	-	8,929	-	8,929
Transfers out	<u>(1,478)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,478)</u>
Net income (loss)	<u>876</u>	<u>(548)</u>	<u>307</u>	<u>(229)</u>	<u>406</u>
Net assets (deficit):					
Beginning of the year, as previously reported	(46,466)	5,257	(10,546)	1,793	(49,962)
Correction of prior year error	<u>4,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,635</u>
Beginning of year, as restated	<u>(41,831)</u>	<u>5,257</u>	<u>(10,546)</u>	<u>1,793</u>	<u>(45,327)</u>
Net assets (deficit), end of year	<u>\$ (40,955)</u>	<u>\$ 4,709</u>	<u>\$ (10,239)</u>	<u>\$ 1,564</u>	<u>\$ (44,921)</u>

CITY OF ATLANTA, GEORGIA
Nonmajor Enterprise Funds

Combining Statement of Cash Flows
For the Year Ended December 31, 2005
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Total
Cash flow from operating activities					
Cash received from user charges	\$ 48,902	\$ 605	\$ 2,414	\$ 1,438	\$ 53,359
Cash payments to employees for services	(22,490)	(573)	-	(711)	(23,774)
Cash payments to suppliers for goods and services	(24,181)	(176)	(3,252)	(769)	(28,378)
Net cash provided by (used in) operating activities	<u>2,231</u>	<u>(144)</u>	<u>(838)</u>	<u>(42)</u>	<u>1,207</u>
Cash flows from noncapital financing activities					
Transfers in	-	-	8,929	-	8,929
Transfers out	(1,478)	-	-	-	(1,478)
Net cash provided by (used in) noncapital financing activities	<u>(1,478)</u>	<u>-</u>	<u>8,929</u>	<u>-</u>	<u>7,451</u>
Cash flows from capital and related financing activities					
Principal paid on bonds	427	-	(4,050)	-	(3,623)
Interest paid on bonds	(663)	(6)	(3,992)	-	(4,661)
Acquisition of capital assets	(2,533)	(1)	-	2	(2,532)
Net cash from (used in) capital and related financing activities	<u>(2,769)</u>	<u>(7)</u>	<u>(8,042)</u>	<u>2</u>	<u>(10,816)</u>
Cash flows from investing activities					
Net change in investment in pooled funds	(4,370)	562	(28)	29	(3,807)
Interest on investments	(28)	22	(21)	11	(16)
Net cash from (used in) investing activities	<u>(4,398)</u>	<u>584</u>	<u>(49)</u>	<u>40</u>	<u>(3,823)</u>
Net increase (decrease) in cash and cash equivalents	<u>(6,414)</u>	<u>433</u>	<u>-</u>	<u>-</u>	<u>(5,981)</u>
Cash and cash equivalents, beginning of year	<u>6,414</u>	<u>223</u>	<u>-</u>	<u>-</u>	<u>6,637</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>-</u>	<u>\$ 656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 3,045	\$ (564)	\$ (4,609)	\$ (240)	\$ (2,368)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and depreciation	1,512	313	4,543	94	6,462
Increase (decrease) in receivables	(531)	-	-	-	(531)
(Increase) decrease in accounts payable	(839)	5	(772)	72	(1,534)
Increase (decrease) in other liabilities	(1,038)	61	-	-	(977)
Increase (decrease) in due to other funds	82	41	-	32	155
Net cash provided by (used in) operating activities	<u>\$ 2,231</u>	<u>\$ (144)</u>	<u>\$ (838)</u>	<u>\$ (42)</u>	<u>\$ 1,207</u>

Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs.

PENSION TRUST FUNDS

General Employee's 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 operation 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 defined benefit pension plan covering fire fighting employees of the City.

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

Agency Fund – To account for various taxes, bond deposits and other receipts held in escrow for individuals, outside organizations, other governments or other funds.

CITY OF ATLANTA, GEORGIA

Pension Trust Funds

Combining Statement of Plan Net Assets

December 31, 2005

(In Thousands)

	Pension Trust Funds				
	General Employees' Defined Benefit	General Employees' Defined Contribution	Firefighters'	Police Officers'	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 43,813	\$ -	\$ 45,114	\$ 22,549	\$ 111,476
Investments:					
Equities	448,886	23,601	190,476	298,157	961,120
U. S. government and agency obligations	202,941	-	105,026	169,304	477,271
Corporate bonds	89,279	-	43,473	30,651	163,403
Total Investments	741,106	23,601	338,975	498,112	1,601,794
Securities lending collateral investment pool	140,702	-	36,526	40,999	218,227
Other receivables	7,973	-	1,586	8,161	17,720
Due from other funds	20,737	-	4,099	9,430	34,266
	<u>\$ 954,331</u>	<u>\$ 23,601</u>	<u>\$ 426,300</u>	<u>\$ 579,251</u>	<u>\$ 1,983,483</u>
 LIABILITIES AND NET ASSETS HELD IN TRUST FOR PENSION BENEFITS					
Current liabilities:					
Accounts payable	\$ 3,364	\$ -	\$ 22,572	\$ 15,384	\$ 41,320
Due to other funds	34,396	-	3,072	-	37,468
Liability for securities lending agreement	140,702	-	36,526	40,999	218,227
	<u>178,462</u>	<u>-</u>	<u>62,170</u>	<u>56,383</u>	<u>297,015</u>
Net Assets Held in Trust for Pension Benefits:	<u>\$ 775,869</u>	<u>\$ 23,601</u>	<u>\$ 364,130</u>	<u>\$ 522,868</u>	<u>\$ 1,686,468</u>

CITY OF ATLANTA, GEORGIA
Pension Trust Funds

Combining Statement of Changes in Plan Net Assets
For the Year Ended December 31, 2005
(In Thousands)

	Pension Trust Funds				Totals
	General Employees' Defined Benefit	General Employees' Defined Contribution	Firefighters'	Police Officers'	
Additions:					
Employer contributions	\$ 51,780	\$ 3,883	\$ 14,000	\$ 25,271	\$ 94,934
Employee contributions	12,748	4,049	3,071	5,305	25,173
Refunds and other	477	239	67	142	925
Investment income:					
Net appreciation in fair value of investments	14,292	-	8,249	22,416	44,957
Investment income	19,789	804	9,763	8,379	38,735
Securities lending income	206	-	101	-	307
Less: Investment expenses	(2,646)	-	(1,207)	(1,020)	(4,873)
Securities lending expenses	-	-	(11)	-	(11)
Net investment income	31,641	804	16,895	29,775	79,115
Total additions	96,646	8,975	34,033	60,493	200,147
Deductions:					
Benefit payments	59,482	1,303	19,895	27,824	108,504
Refunds	2,038	270	43	423	2,774
Administrative expenses	361	-	356	360	1,077
Total deductions	61,881	1,573	20,294	28,607	112,355
Net increase in net assets held in trust for pension benefits	34,765	7,402	13,739	31,886	87,792
Net assets held in trust for pension benefits:					
Beginning of year	741,104	16,199	350,391	490,982	1,598,676
End of year	\$ 775,869	\$ 23,601	\$ 364,130	\$ 522,868	\$ 1,686,468

CITY OF ATLANTA, GEORGIA
Agency Fund

Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2005
(In Thousands)

ASSETS				
	Balance, Beginning of Year	Additions	Deductions	Balance, End of Year
Assets:				
Cash and cash equivalents	\$ 701	2	-	\$ 703
Investments in pooled investment fund	10,593	40,901	(40,808)	10,686
Investments:				
Equities	32	9	-	41
Total Investments	32	9	-	41
Total Assets	\$ 11,326	\$ 40,912	\$ (40,808)	\$ 11,430
LIABILITIES				
Liabilities:				
Accounts payable	\$ 11,326	\$ 40,912	\$ (40,808)	\$ 11,430
Total Liabilities	\$ 11,326	\$ 40,912	\$ (40,808)	\$ 11,430

The accompanying notes are an integral part of the statements.

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Statistical Section

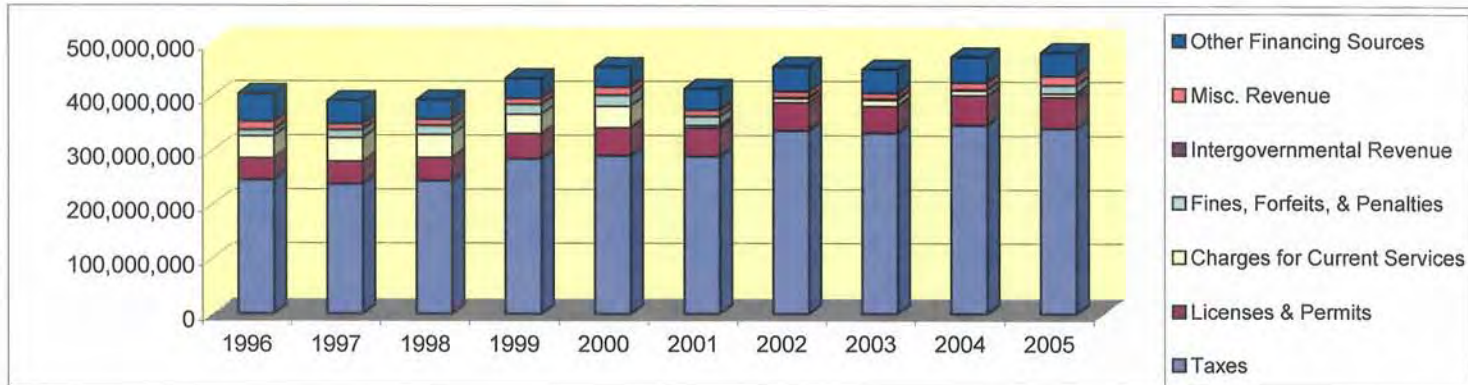
(Unaudited)

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 GOVERNMENTAL REVENUES BY SOURCE
LAST TEN YEARS



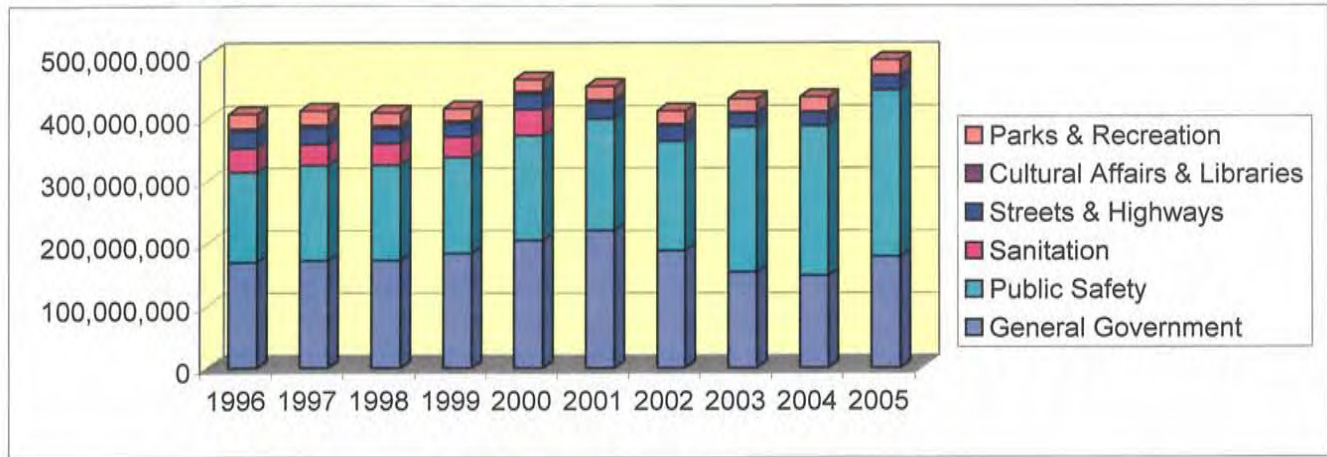
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Year	Taxes	Licenses & Permits	Charges for Current Services	Fines Forfeits, & Penalties	Inter-Governmental Revenues	Miscellaneous Revenue	Other Financing Sources	General Fund Revenue Total
1996	\$ 246,751,394	\$ 40,516,158	\$ 40,876,442	\$ 11,033,573	\$ 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	416,028,935
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 (2)	537,002	10,458,347	44,357,384	452,601,217
2004	349,523,370	55,221,193	8,732,637 (1)	1,174,409 (2)	541,708	12,660,667	47,667,256	475,521,240
2005	343,666,834	58,061,038	6,536,906 (1)	14,726,518 (3)	569,744	16,850,067	43,870,784	484,281,891

- (1) Sanitary Service charge revenues were moved out of the General Fund in 2001 and into the Solid Waste Services Revenue Fund.
- (2) Traffic and Parking fine revenues were moved from the General Fund in 2002 to the Traffic Court Operations Fund.
- (3) Traffic Court was consolidated with Municipal Court in 2005. Traffic Court's revenues were collected in the General Fund in 2005 due to this consolidation.

CITY OF ATLANTA, GEORGIA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION LAST TEN YEARS



Year	General Government	Public Safety	Public Works		Cultural Affairs & Libraries	Parks & Recreation	Total Expenditures
			Sanitation	Streets & Highways			
1996	\$ 168,660,622 (1)	\$ 144,591,993	\$ 37,994,940	\$ 28,084,434	\$ 3,590,375	\$ 23,331,025	\$ 406,253,389
1997	171,491,843 (1)	152,344,992	33,702,386	27,042,910	3,760,872	23,296,357	411,639,360
1998	171,948,161 (1)	152,667,051	34,278,576	24,604,577	3,741,488	21,078,736	408,318,589
1999	183,213,904 (1)	153,649,715	32,282,506	22,758,700	3,601,245	19,207,585	414,713,655
2000	204,121,947 (1)	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	187,743,000 (1)	174,602,000	N/A (2)	25,528,000	2,549,523	20,835,477	411,258,000
2003	153,566,456	231,662,423	N/A (2)	22,486,834	1,565,799	21,065,087	430,346,599
2004	148,098,062	238,864,093	N/A (2)	21,800,297	1,820,280	22,717,828	433,300,560
2005	178,197,813 (1)	266,053,336	N/A (2)	22,909,316	1,819,231	23,951,975	492,931,671

- (1) Includes the Department of Corrections. In 2002, City Traffic Court expenditures were moved from the General Fund to the Traffic Court Operations Fund. Corrections is included in the Public Safety in 2003 and 2004.
- (2) Sanitation service expenditures were moved from the General Fund in 2001 to the Sanitation Enterprise 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
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	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	93.24	8,442,267	175,257,925	97.96	13,683,408	7.65
2004	180,733,587	170,502,285	94.34	10,655,621	181,157,906	100.23	6,852,846	3.79
2005	178,703,068	160,301,279	89.70	3,836,636	164,137,915	91.85	7,339,152	4.11

(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)

<u>Year</u>	<u>Schools</u>	<u>General Fund Operations</u>	<u>Debt Service</u>	<u>Park Improvements</u>	<u>Total</u>
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
2004	20.87	8.25	1.38	0.50	31.00
2005	20.42	7.64	1.53	0.50	30.09

Tax Levies

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	408,401,451(1)
2000	306,777,569	80,812,212	31,140,597	6,279,675	425,010,052(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)
2004	373,967,613	147,830,992	25,940,377	8,959,454	556,698,436(1)
2005	365,904,105	136,900,458	28,918,996	8,959,454	540,683,013(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 GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN YEARS

Year	PROPERTY						OTHER					Total Taxes Collected
	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	
	(Current)	Prior	(Current)	(Prior)								
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	13,736,085	34,917,652	291,157,213
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
2004	137,895,919	7,620,036	-	-	6,980,966	731,233	83,538,124	45,751,439	19,377,921	13,380,869	34,246,863	349,523,370
2005	124,460,921	3,118,742	-	-	7,591,841	550,619	89,091,202	46,555,175	20,848,102	13,083,419	38,366,813	343,666,834

(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
Assessed and Estimated Actual Value of Taxable Property
Last Ten Years

Fiscal Year	Real Estate		Personal Property and Corporate Franchises		Total		Ratio of Total Assessed to Total Estimated True Value
	Assessed Value (Gross)	Estimated True Value	Assessed Value ¹	Estimated True Value	Assessed Value (Gross))	Estimated True Value	
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	9,545,833,340	23,864,583,350	3,136,416,510	7,841,041,275	12,682,249,850	31,705,624,625	40
1999	9,671,243,681	24,178,109,203	3,112,309,595	7,780,773,988	12,783,553,276	31,958,883,190	40
2000	10,537,528,819	26,343,822,048	3,378,385,537	8,445,963,843	13,915,914,356	34,789,785,890	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	3,050,181,351	7,625,403,378	18,435,347,793	46,088,369,483	40
2004	16,288,588,471	40,721,471,178	2,939,655,528	7,349,138,820	19,228,243,999	48,070,609,998	40
2005	17,920,756,196	44,801,890,490	1,563,419,936	3,908,549,840	19,484,176,132	48,710,440,330	40

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

(1) Net of Freeport exemption.

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						Atlanta/ DeKalb County	Downtown Improvement District	Fulton County, Georgia				
	General Levy	School Levy	Parks Levy	City Bond Levy	School Bond Levy	Total	Special Tax District	Special Tax District (1)	County Levy	County Bond Levy	Hospital Levy	Georgia State Levy	Total
1996	\$ 6.90	\$ 26.95	\$ 0.50	\$ 0.99	\$ 1.31	\$ 36.65	\$ 1.87	\$ 2.02	\$ 8.90	\$ 0.66	\$ 4.45	\$ 0.25	\$ 14.26
1997	6.57	25.43	0.50	1.32	1.00 (2)	34.82	2.06	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	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	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	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	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	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	12.05 (3)	0.27	–	0.25	12.57
2004	8.25	20.87	0.50	1.27	0.11	31.00	1.05	4.20	11.59 (3)	0.07	–	0.25	11.90
2005	7.64	20.42	0.50	1.43	0.10	30.09	2.05	5.00	11.58 (3)	0.06	–	0.25	11.90

- (1) Tax imposed by property owners in the district pursuant to state authorization.
(2) Reduced by a debt service payment of \$3,052,000 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**

Year of Levy	Amount
1999	215,021
2000	307,680
2001	378,550
2002	859,677
2003	953,294
2004	1,276,333
2005	7,339,152
Total	<u>\$ 11,329,707</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 BILLINGS AND COLLECTIONS
LAST TEN YEARS**

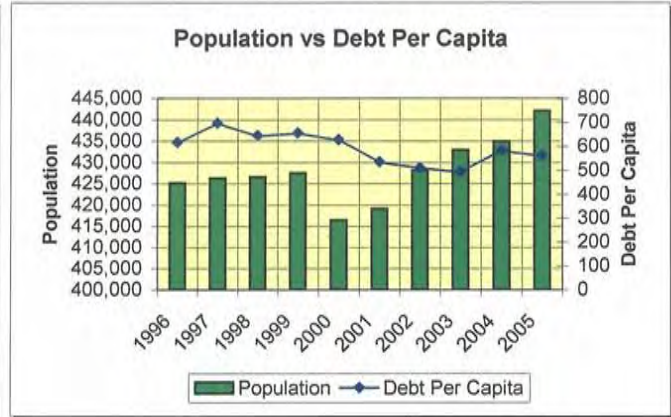
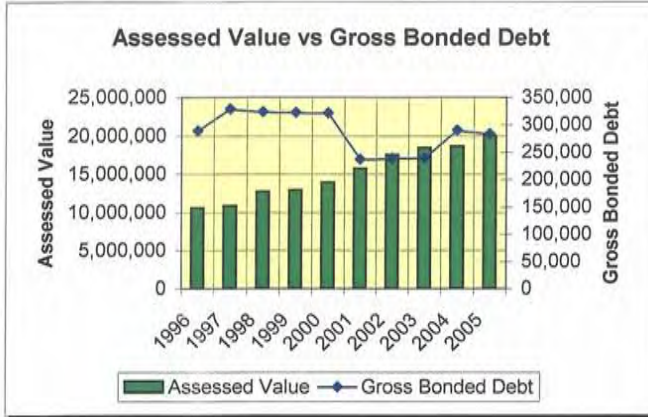
Year	Assessments Billed	Assessments Collected	% of Collections Ratio of Collections to Amount Billed (%)	Total Total Outstanding Assessments
1996	1,171,079	163,052	13.9	6,693,875
1997	2,079,161	358,874	17.3	8,748,431
1998	878,224	203,428	23.2	8,621,736
1999	122,219	386,675	316.4	8,357,280
2000	95,756	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
2004	- (1)	429,067	n/a	5,951,515
2005	- (1)	426,068	n/a	4,991,856

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.

(1) The In-rem program was reorganized in 2004 and during that period, no demolitions occurred. In 2005, 83 properties have already been identified for enforcement action. Billings will resume in 2005.

CITY OF ATLANTA, GEORGIA

RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA LAST TEN YEARS



Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Monies Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value (Percent)	Net Bonded Debt per Capita
(Dollars in thousands, except per capita amounts)							
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	12,717,080	324,030	49,453	274,577	2.16	643.64
1999	427,500	12,916,521	323,365	43,409	279,956	2.17	654.87
2000	416,474	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	20,258	217,982	1.25	509.18
2003	432,900	18,447,913	239,360	26,567	212,793	1.15	491.55
2004	434,900	18,660,031	290,365	37,444	252,921	1.36	581.56
2005	442,100	20,019,495	283,865	37,142	246,723	1.26	558.07

- (1) Source: Atlanta Regional Commission as of April, 2004.
- (2) Includes Freeport.
- (3) Includes all Long-term General Obligation Debt.

CITY OF ATLANTA, GEORGIA

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2005**

General Obligation Bond Net Tax Digest as of December 31, 2005	\$ 20,019,495,313	
Debt Limit for General Purpose (8% of Assessed Value)		\$ 1,601,559,625
Amount of Debt Applicable to Debt Limit for General Purposes		<u>(227,687,500)</u>
Legal Debt Margin for General Purposes		<u>1,373,872,125</u>
General Obligation School Bond Net Tax Digest as of December 31, 2005	\$ 18,689,202,469	
Debt Limit for School Purposes (4% of Assessed Value)		\$ 747,568,099
Amount of Debt Applicable to Debt Limit for School Purposes		<u>(11,672,500)</u>
Legal Debt Margin for School Purposes		<u>735,895,599</u>
TOTAL LEGAL DEBT MARGIN		<u><u>\$ 2,109,767,724</u></u>

CITY OF ATLANTA, GEORGIA

**COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT- GENERAL OBLIGATION BONDS
DECEMBER 31, 2005**

	Net Debt Outstanding	% Applicable to Atlanta	Amount Applicable to Atlanta
City of Atlanta General Obligation Debt	\$ 283,865,000	100.0%	\$ 283,865,000
Less: Sinking Fund	37,142,000	100.0%	\$ 37,142,000
NET DIRECT DEBT			<u>246,723,000</u>
Overlapping Debt:			
Fulton County (1)	14,381,148	53.9%	\$ 7,751,439
DeKalb County (2)	203,187,000	3.4%	\$ 6,908,358
Fulton County Building Authority (1)	84,158,377	53.9%	\$ 45,361,365
Contractual General Obligation Debt:			
Atlanta and Fulton Recreation Authority			
Series 1996, 1997, 2000, and 2003 Revenue Bonds(4)	3,115,000	66.7%	\$ 2,077,705
Series 2005A/B Revenue and Refunding Bonds (5)	93,760,000	100.0%	\$ 93,760,000
Downtown Development Authority (DDA) - COA (3)	61,280,000	100.0%	\$ 61,280,000
Urban Residential Finance Authority (URFA) - COA (3)	483,679,692	33.3%	\$ 161,065,337
Overlapping Contractual Obligations:			
Fulton-DeKalb Hospital Authority (1)	237,115,000	40.4%	\$ 95,794,460
TOTAL OVERLAPPING DEBT			<u>473,998,664</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u>\$ 720,721,664</u>

NOTES:

(1) Fulton County

(2) Dekalb County

(3) URFA - ADA Basic Financial Statements as of 12/31/05.

(4) AFCRA -2005 Financial Statements.

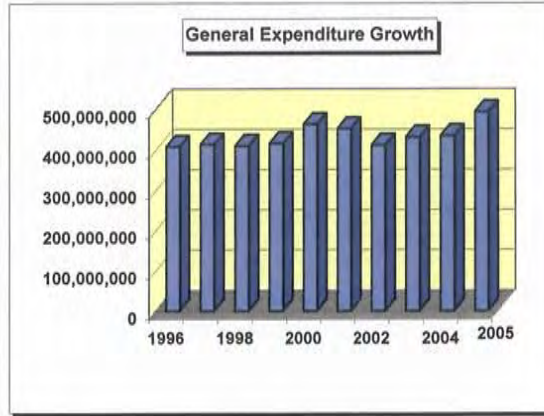
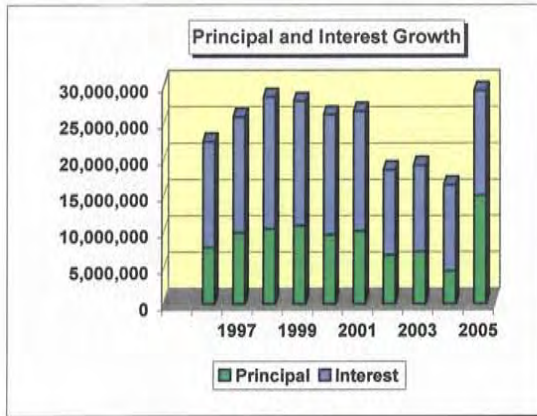
- the Atlanta and Fulton County Recreation Authority Bonds are an obligation of the Authority. The City of Atlanta, by contract, has guaranteed to pay annually the operating deficit of the Zoo.

(5)AFCRA - 2005 A/B Series Park Improvement Revenue and Revenue Refunding Bonds

- special limited obligations, unconditionally payable from amounts received from various sources including ad valorem tax revenues for park improvements.

CITY OF ATLANTA, GEORGIA

**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL BONDED DEBT TO TOTAL
GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS**



Year	Principal	Interest	Total Debt Service	Total General Fund Expenditures	Ratio of Debt Service to General Expenditures (Percent)
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	11,892,878	18,382,878	410,587,994	4.5
2003	7,150,000	11,836,000	18,986,000	430,346,600	4.5
2004	4,495,000	11,792,535	16,287,535	433,330,560	4.5
2005	14,875,000	14,425,350	29,300,350	492,931,671	5.9

CITY OF ATLANTA, GEORGIA

**SCHEDULE OF REVENUE BOND COVERAGE
DEPARTMENT OF AVIATION
LAST TEN YEARS**

Year	Operating Revenue ¹	Current Operating Expenses ²	Net Revenue available for Debt Service	Debt Service Requirements			% Coverage
				Principal	Interest ³	Total	
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	250,460,435	95,611,501	154,848,934	44,852,004	66,230,735	111,082,739	1.39
2004	273,087,385	99,841,355	173,246,029	49,937,004	57,518,967	107,455,971	1.61
2005	289,342,426	103,949,240	185,393,186	33,935,000	73,171,696	107,106,696	1.73

- (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
DEPARTMENT OF WATERSHED MANAGEMENT
LAST TEN YEARS
(GAAP BASIS)**

Year	Revenue (1)	Expenses (2)	Net Revenue Available for Debt Service	Annual Debt Service Requirement (3)	Coverage Ratio
1996	\$ 160,407	\$ 124,731	\$ 35,676	\$ 16,522	2.16
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	32,692	3.34
2003	227,441	116,971	110,470	63,335	1.74
2004	267,329	124,804	142,525	86,278	1.65
2005	283,526	155,525	128,001	91,426	1.40

- (1) Total operation revenue 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, thus excluding capitalized interest.

CITY OF ATLANTA, GEORGIA

DEMOGRAPHIC STATISTICS LAST TEN YEARS

Year	Population (1)	Median Age (2)	School Enrollment (3)	Unemployment Rate
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	5.3%
2000	416,474	31.9	56,377	4.9%
2001	419,185	31.9	56,586	5.8%
2002	428,100	31.9	56,946	8.6%
2003	432,900	31.9	52,103	7.9%
2004	434,900	31.9	50,188	7.5%
2005	442,100	31.9	50,770	6.6%

Sources:

- (1) Atlanta Regional Commission as of April 2004.
- (2) Estimate of Median Age - Per census taken every 10 years.
- (3) At end of school year in June; 2004 reflects enrollment as of 3/3/05.

CITY OF ATLANTA, GEORGIA

2005 TEN MAJOR TAXPAYERS

Taxpayer	Type of Business	Assessed Value	Percentage of Total Assessed Value
Bell South	Communication Service	\$ 386,047,492	29.73%
Georgia Pacific Company	Utility Service	154,932,948	11.93%
Coca-Cola Company	Marketing and Manufacturing	139,188,340	10.72%
Post Apartment Homes	Residential Real Estate	117,829,980	9.08%
Georgia Power Company	Pulp and Paper Mfg	92,889,700	7.15%
CSC Associates	Commercial Real Estate	86,232,080	6.64%
One Ninety One Peachtree Assoc.	Commercial Real Estate	82,034,230	6.32%
Trizec Alliance Center LLC	Commercial Real Estate	81,144,630	6.25%
Peachtree TSG Associates LLC	Commercial Real Estate	80,353,590	6.19%
SunTrust Plaza Assoc.	Commercial Real Estate	77,663,640	5.98%
GRAND TOTAL		\$ 1,298,316,630	6.39%
City of Atlanta 2005 Total Gross Property Tax Digest		\$ 20,305,558,276	

CITY OF ATLANTA, GEORGIA

Value of Construction, Bank Deposits and Property 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
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	31,958,883,190
2000	244	192,497,450	1,045	552,114,967	29,241,200	26,343,822,048	8,445,963,843	34,789,785,890
2001	551	747,118,442	1,068	538,068,746	29,248,023	30,683,961,818	8,321,718,235	39,005,680,053
2002	531	1,004,552,282	1,019	581,419,369	32,257,957	35,478,576,508	8,215,770,300	43,694,346,808
2003	446	511,807,239	1,309	606,442,727	42,275,651	38,462,966,105	7,625,403,378	46,088,369,483
2004	72	172,042,500	958	138,909,187	43,966,313	40,721,471,178	7,349,138,820	48,070,609,998
2005	73	172,042,501	959	138,909,188	43,966,314	44,801,890,490	3,908,549,840	48,710,440,330

Source:

(1) Federal Reserve Bank - Atlanta Region

(2) Net of Freeport exemption netted out.

CITY OF ATLANTA, GEORGIA

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2005

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	1,700 miles
Unpaved	26 miles
Miles of curbstone	3,400 (approximate)

CONSTRUCTION PERMITS:

Permits issued	9,682
Total value	\$2,356,409,437

NUMBER OF STREET LIGHTS:

Owned	7,008
Leased	36,813
Freeway Lights	6,778

FIRE PROTECTION:

Fire Stations	34
Employees:	
Firefighting	1,010
Civilian	71

FIRE VEHICLES:

Fire Engines	32
Tractor Drawn Aerial Ladders	11
Mid-ship Platform Ladders	1
Mid-ship Aerial Ladders	4
Foam Engine	2
Light Unit Truck	1
Command Vehicle	6
Service Trucks	7
Pick-up Trucks	39
Hazardous Material Trucks	5
Rescue Units	1
Vans	9
Bus	1
Fire Cars	42
Lift Gate Stake Body Trucks	1
Shop Bucket Truck	1
Air Crash Fire Rescue Vehicles	12
Ambulances	3

CITY OF ATLANTA, GEORGIA

MISCELLANEOUS STATISTICAL DATA DECEMBER 31, 2005

POLICE PROTECTION:

Police Station	1
Precincts	17
Employees:	
Law Enforcement	1,761
Civilian	419

POLICE VEHICLES:

Patrol Cars	302
Detective Cars	309
Patrol Wagons	26
Solo Motorecycles	98
Pick-up Trucks	67
Vans (full size)	19
Bomb Trailers	2
Mini Vans	19
Horse Trailers	2
Helicopters	1
Buses	2

JAILS:

Correctional Facilities	1
Capacity (Daily Avg.)	1,024
City Detention Center	2

RECREATION:

Parks	348
Total Acres	3,403
Golf Courses	6
Tennis Courses	5
Swimming Pools:	
Outdoor	18
Indoor	5
Other Recreational Facilities	49
Play Grounds	108
Ball Fields	85

SCHOOLS:

Elementary	60
Middle	16
High	10
Evening	3
Alternative	2
Charter Schools	7

CITY OF ATLANTA, GEORGIA

**MISCELLANEOUS STATISTICAL DATA
DECEMBER 31, 2005**

STUDENT ENROLLMENT:

Pre-K	875
Elementary	25,703
Middle	11,238
High	12,372

TEACHERS (Classroom)

	3,537
Municipal Employees (exclusive of Atlanta Board of Education)	7,607

WATER AND SEWERAGE:

Pure Water Produced:

Total Gallons Produced	39,605,535,000 gal.
Maximum Daily Produced	140.96 mill. gal.
Average Daily Produced	107.86 mill. gal.

WATER MAINS:

Miles in Service	2,400
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ATLANTA INTERNATIONAL AIRPORT:

Number of Passengers Served	83,606,583
Number of Aircraft Operations Served	964,858
Number of Carriers:	
Commercial	26
Cargo	17
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 27L	10,000 feet or 3,048 meters
8L 26R	9,000 feet or 1,743 meters

CITY OF ATLANTA, GEORGIA

OPERATING DATA OF WATER-WASTEWATER SYSTEM 2005 CONTINUING DISCLOSURE

1. The highest maximum daily water demand during the last five years, the permitted withdrawal amount and the water treatment capacity of the System.

A. The highest maximum daily water demand:	166
B. The permitted withdrawal amount:	180 MGD
C. The water treatment capacity of the System:	
Chattahoochee	65
Hemphill	137
Total	204
Atlanta	45

2. The highest maximum monthly flow through the wastewater treatment facilities of the System during the last five years and the aggregate rated treatment capacity of the WRC's.

A. The total treatment capacity on terms of maximum month flow would be:	
RM Clayton:	122 MGD
Utoy Creek:	41 MGD
South River:	49 MGD
Total	121 MGD

3. The number of water and wastewater connections by customer class.

<u>Dwelling Code</u>	<u>Count of Meters</u>
AHA	23800.00%
COMM	13,426
CTYBOE	18500.00%
CTYGOV	25100.00%
FEDGOV	1100.00%
FULBOE	2200.00%
FULTON	15500.00%
INDUST	26400.00%
PUBLIC	35400.00%
RESID	141,715
STATE	3400.00%
WHOLE	4900.00%
TOTAL	156,704

5. The current water and wastewater rates charged by the System.

3-Tiered conservation Rate 2005		
Water Inside the City	1.95 per ccf	0 – 3 ccf
	2.23	Next 3 ccf
	2.56	7 ccf & up
Water Outside the City	2.35 per ccf	0 – 3 ccf
	2.70	Next 3 ccf
	3.10	7 ccf & up
Sewer Inside the City	4.95 per ccf	0 – 3 ccf
	5.67	Next 3 ccf
	6.52	7 ccf & up
Sewer Outside the City	3.73 per ccf	
Wholesale Rate	1.54 per ccf	all
Security Surcharge	.15 per ccf	all

Source: Melinda Langston -Director of Government & Customer Relations-
Department of Watershed