



CITY OF ATLANTA, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Six Months Ended June 30, 2006

**Shirley Franklin
Mayor**

**Janice D. Davis
Chief Financial Officer**

CITY OF ATLANTA, GEORGIA
Comprehensive Annual Financial Report
For the Six Months Ended June 30, 2006

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Introductory Section



CITY OF ATLANTA

SHIRLEY FRANKLIN
MAYOR

DEPARTMENT OF FINANCE
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JANICE D. DAVIS
CHIEF FINANCIAL OFFICER

January 4, 2007

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

Ladies and Gentlemen:

We are pleased to present the 2006 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 change in fiscal year, from a year ending December 31st to a year ending June 30th and the implementation of GASB 44, Economic Condition Reporting: The Statistical Section. In accordance with these requirements, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the City of Atlanta for the six months ended June 30, 2006.

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 six months ended June 30, 2006, 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 auditors rendered an unqualified opinion that the City of Atlanta's financial statements for the six months ended June 30, 2006, are fairly presented in conformity with GAAP. The independent auditors' 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 483,108 and 4,917,717 in the Atlanta Metropolitan Area, according to the United States Census Bureau. 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 June 30, 2006 for the Atlanta-Fulton County Recreation Authority, the Urban Design Commission (UDC), the Solid Waste Management Authority (SWMA), the Atlanta CoRA Inc., and the Atlanta Development Authority (ADA), all of which were included as part of the City's 2006 Comprehensive Annual Financial Report. 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 in which 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, 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 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 six months ended June 30, 2006 include the following:

- The purchase of the Bellwood Quarry property in Northwest Atlanta from Vulcan Materials Company and Fulton County. This property is planned for transformation into the most significant new park and greenspace to be developed along Atlanta's Beltline.
- The purchase of the Martin Luther King, Jr. papers. A private coalition of business and civic leaders bought the collection from the King family following concerted efforts by Atlanta Mayor Shirley Franklin and former Atlanta Mayor Andrew Young. Morehouse -- King's alma mater -- will own the collection.
- The continuation of funding for the Brand Atlanta campaign. The campaign is recognized as critical to the ongoing perception of Atlanta as a destination market for visitors. The goal is to provide comparable levels of funding to support the marketing efforts of the hospitality, tourism and entertainment industries, which are instrumental to the city's greater economic development.

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 no later than June, proceeding the commencement of the fiscal year.

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 changed its year end from December 31 to June 30 effective January 1, 2006. The year end change created a six month fiscal year ended June 30, 2006.

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.

Economic Development

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 2006, ADA issued TAD bonds for Princeton Lakes and Atlantic Station 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. During the six months ended June 30, 2006, approximately 42.1 million passengers were enplaned or deplaned at the Atlanta Airport, making it the busiest passenger airport in the world according to the Airport Council International. Atlanta's Airport is widely considered to be the economic engine of the southeastern United States. Recognizing the pivotal role played by the Airport, the City has adopted a capital improvement plan 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."

Construction of elements of the Airport's Capital Improvement Plan began in 1999 and is expected to be completed by 2012. The CIP includes the construction of a 9,000 foot fifth parallel runway (Runway 10/28), 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. Runway 10/28 was completed in May 2006.

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 5.08 percent for 2006.

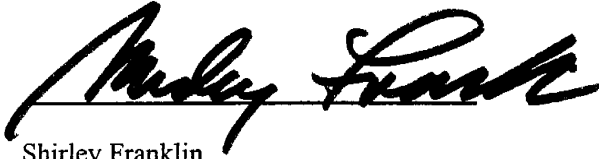
Awards and Acknowledgements

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, 2005. This was the 21st consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

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

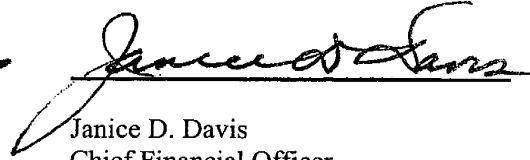
The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Department of Finance and the other operating and support departments of the City. We would like to express our appreciation to all who assisted in and contributed to the preparation of this report. Credit must also be given to the City Council for their unfailing support in 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

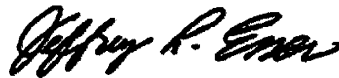
City of Atlanta
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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

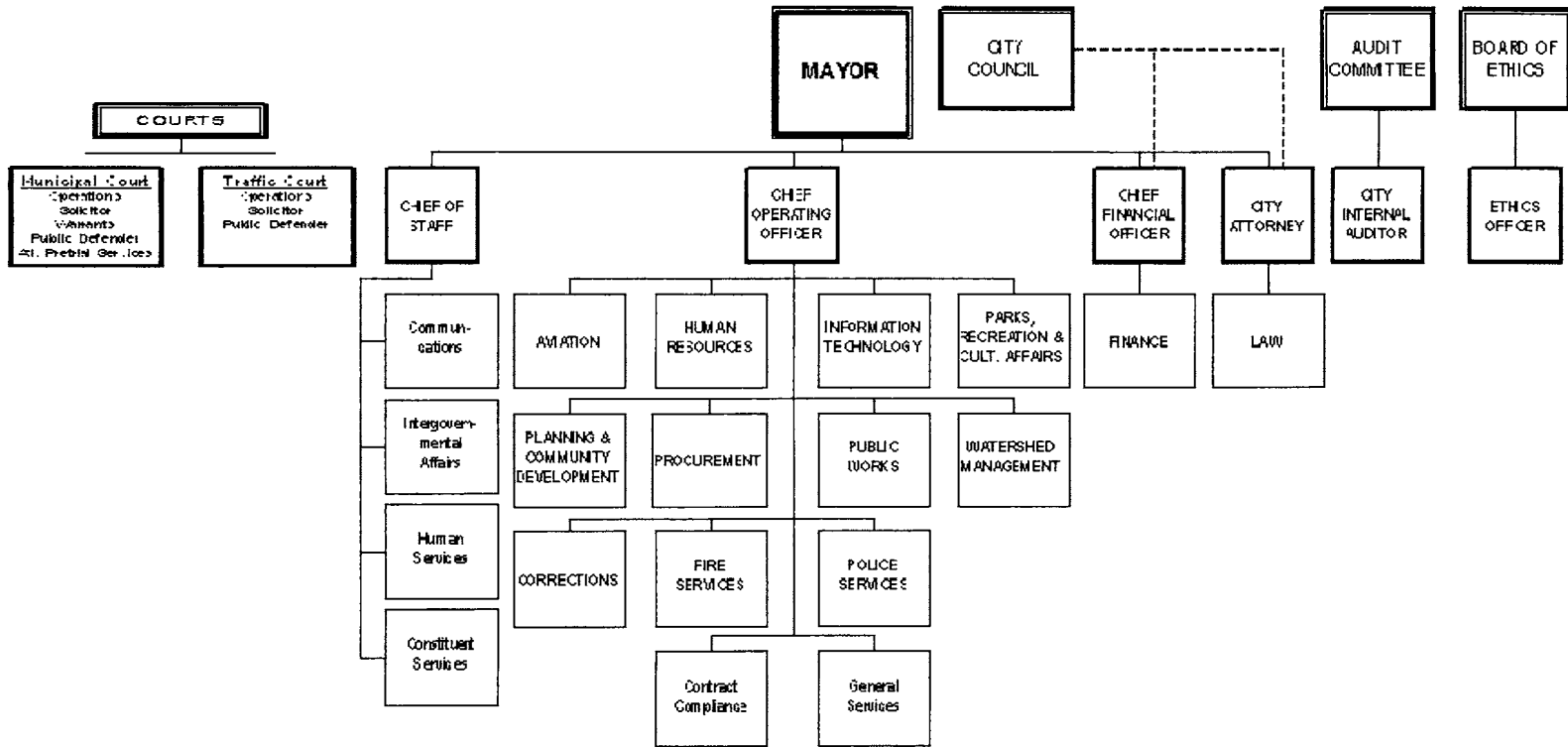


President



Executive Director

City of Atlanta 2006 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 - Kwanza Hall
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
Commissioner of Planning & Community Development..... Steven R. Cover
Chief Procurement Officer..... Adam Smith
City Internal Auditor..... Leslie Ward

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 funds information of the City of Atlanta, Georgia (the "City"), as of and for the six months ended June 30, 2006, 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, representing all of the City's discretely presented component units, which collectively represent total assets of approximately 3.8% as of June 30, 2006 and total revenues of approximately 8.2% for the six months 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 and the report of other auditors provide 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 information of the City of Atlanta, Georgia as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

As explained in Note I.D., effective January 1, 2006, the City changed its fiscal year from December 31 to June 30. As a result, the above referenced statements are as of and for the six months ended June 30, 2006.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated January 4, 2007, on our consideration of the City of Atlanta Georgia's internal control over financial reporting and on our test 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



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

of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and 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 of America. We have applied certain limited procedures to this information, which consists 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, budgetary comparison schedules 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 and budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedure applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Banks, Finley, White & Co.

January 4, 2007.

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 six months ended June 30, 2006. As noted in the letter of transmittal, the City has moved from a calendar year ending December 31st to a fiscal year ending June 30th, effective January 1, 2006. This overview compares the twelve months ended December 31, 2005 with the six months ended June 30, 2006. We encourage readers to consider the information presented here, in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vii of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of 2006 by \$5.1 billion, that amount represents the City's net assets. Of this amount, \$412.6 million 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 \$91.7 million in 2006. The majority of this increase is attributable to sales tax revenues, investment income, and charges for services.
- As of the close of 2006, the City's governmental funds reported combined ending fund balances of \$409.5 million. The unreserved fund balance of \$72.9 million is available for spending at the government's discretion.
- At the end of 2006, the unreserved fund balance for the general fund was \$92.9 million, or 42% of total general fund expenditures.
- The City's long-term debt, including capital leases, increased by \$394.0 million, which is an increase of 6.3% during the current six month period. The key factors for this increase include an increase of \$187.5 million in limited obligation bonds, and a net increase of \$178.9 million in facilities revenue bonds. These increases were offset by decreases in capital leases for the Department of Watershed Management and Sanitation by \$1.0 million and \$1.1 million respectively.

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 Independent School System 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 fifteen 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 twelve governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The 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), and the 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 \$5.1 billion at the close of the six month period ended June 30, 2006. 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, Six Months Ended June 30 2006 (in thousands)

	Total Primary Government					
	Governmental Activities		Business-type Activities		Total	
	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05
Current and other assets	\$ 583,549	\$ 625,968	\$ 4,036,027	\$ 3,999,032	\$ 4,619,576	\$ 4,625,000
Capital assets, net of depreciation	<u>1,120,961</u>	<u>952,973</u>	<u>6,613,911</u>	<u>6,133,429</u>	<u>7,734,872</u>	<u>7,086,402</u>
Total assets	<u>1,704,510</u>	<u>1,578,941</u>	<u>10,649,938</u>	<u>10,132,461</u>	<u>12,354,448</u>	<u>11,711,402</u>
Long-term liabilities						
Current	181,904	137,055	519,887	353,931	701,791	490,986
Non-Current	<u>902,976</u>	<u>706,996</u>	<u>5,670,436</u>	<u>5,525,899</u>	<u>6,573,412</u>	<u>6,232,895</u>
Total liabilities	<u>1,084,880</u>	<u>844,051</u>	<u>6,190,323</u>	<u>5,879,830</u>	<u>7,275,203</u>	<u>6,723,881</u>
Net assets						
Invested in capital assets, net of related debt	482,373	543,166	3,177,702	3,237,337	3,660,075	3,780,503
Restricted	336,691	351,386	669,876	641,829	1,006,567	993,215
Unrestricted	<u>(199,434)</u>	<u>(159,662)</u>	<u>612,037</u>	<u>373,465</u>	<u>412,603</u>	<u>213,803</u>
Total net assets	<u>\$ 619,630</u>	<u>\$ 734,890</u>	<u>\$ 4,459,615</u>	<u>\$ 4,252,631</u>	<u>\$ 5,079,245</u>	<u>\$ 4,987,521</u>

As of June 30, 2006, the City is able to report positive balances for the government as a whole, as well as for its business-type activities.

By far the largest portion of the City's net assets (72.1%) 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 (19.8%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$412.6 million) may be used to meet the government's ongoing obligations to citizens and creditors.

For business-type activities, the City reported a positive balance of \$612 million in unrestricted net assets and for governmental activities, the City reported a negative balance of \$199 million in unrestricted net assets. However, the City also reported a positive balance of \$72.9 millions in

unreserved governmental fund balance at the end of the fiscal year. The unreserved fund balance represents the spendable resources available for governmental activities. The major contributing factors to the difference between unreserved fund balance and unreserved net assets are as follows:

- Unspent bond proceeds of \$262 million restricted in the capital assets category
- Net increase for the change in accounts receivable and other long term assets in the amount of \$61 million.

In addition, governmental revenues decreased by \$371.7 million (62.3 %) compared to the year ended December 31, 2005. This overall decrease in revenues is due to our change in year end. The majority of the tax revenue for the City is collected subsequent to the six-month period ending June 30, 2006. Approximately 45% of the decrease is attributable to property taxes.

The City's net assets increased by \$91.7 million (1.8%) during the current six month period. The majority of this increase is attributable to increases in sales tax revenues, investment income, and charges for services.

Table 2. City of Atlanta's Changes in Net Assets, Six Months Ended June 30, 2006 (in thousands)

	Total Primary Government					
	Governmental Activities		Business-type Activities		Total	
	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05
Revenues						
Program revenues						
Charges for services	\$ 77,840	\$ 117,105	\$ 264,117	\$ 585,787	\$ 341,957	\$ 702,892
Operating grants and contributions	21,181	51,365	-	-	21,181	51,365
Capital grants and contributions	-	-	141,742	254,797	141,742	254,797
General revenues						
Property taxes	10,261	182,016	-	-	10,261	182,016
Other taxes	97,182	207,593	59,035	102,171	156,217	309,764
State formula aid	334	4,723	-	-	334	4,723
Investment Income	9,312	13,171	40,831	145,900	50,143	159,071
Other	11,398	21,814	-	-	11,398	21,814
Total revenues	227,508	597,787	505,725	1,088,655	733,233	1,686,442
Expenses:						
General government:	113,068	109,681	-	-	113,068	109,681
Police	97,514	150,007	-	-	97,514	150,007
Fire	35,715	69,425	-	-	35,715	69,425
Corrections	20,921	39,028	-	-	20,921	39,028
Public Works	45,231	81,954	-	-	45,231	81,954
Parks, Recreation and Cultural Affairs	10,768	37,611	-	-	10,768	37,611
Nondepartmental	-	97,848	-	-	-	97,848
Interest on long-term debt	19,546	33,430	-	-	19,546	33,430
Water and Wastewater System	-	-	140,848	232,514	140,848	232,514
Department of Aviation	-	-	126,399	230,933	126,399	230,933
Sanitation	-	-	24,298	46,268	24,298	46,268
Other	-	-	7,201	13,794	7,201	13,794
Total Expenses	342,763	618,984	298,746	523,509	641,510	1,142,493
Increase (decrease) in net assets before transfers	(115,255)	(21,197)	206,979	565,146	91,724	543,949
Transfers in(out)	(5)	2,349	5	(2,349)	-	-
Increases in net assets	(115,260)	(18,848)	206,984	562,797	91,724	543,949
Net Assets, Beginning of Period as previously reported	734,890	760,835	4,252,631	3,685,199	4,987,521	4,446,034
Correction of Prior Year Error	-	(7,097)	-	4,635	-	(2,462)
Net Assets, Beginning of Period as restated	734,890	753,738	4,252,631	3,689,834	4,987,521	4,443,572
Net Assets, End of Period	\$ 619,630	\$ 734,890	\$ 4,459,615	\$ 4,252,631	\$ 5,079,245	\$ 4,987,521

Governmental activities. Governmental activities decreased the City's net assets by \$115.3 million. Key elements of the decrease in net assets for governmental activities are as follows:

- Overall, governmental revenues decreased by \$371.7 million (62.3 %) during the period. This overall decrease in revenues is due to our change in year end. Revenue collected is for the six month period ended June 30, 2006 versus the twelve month period ended December 31, 2005. Property taxes are generally billed and collected beginning in July. Therefore the majority of the tax revenue for the City is collected subsequent to the six-month period ending June 30, 2006. Approximately 45% of the decrease is attributable to property taxes.

Figure 1. Program Revenues Compared to Expenses, Six Months Ended June 30, 2006 (in thousands)

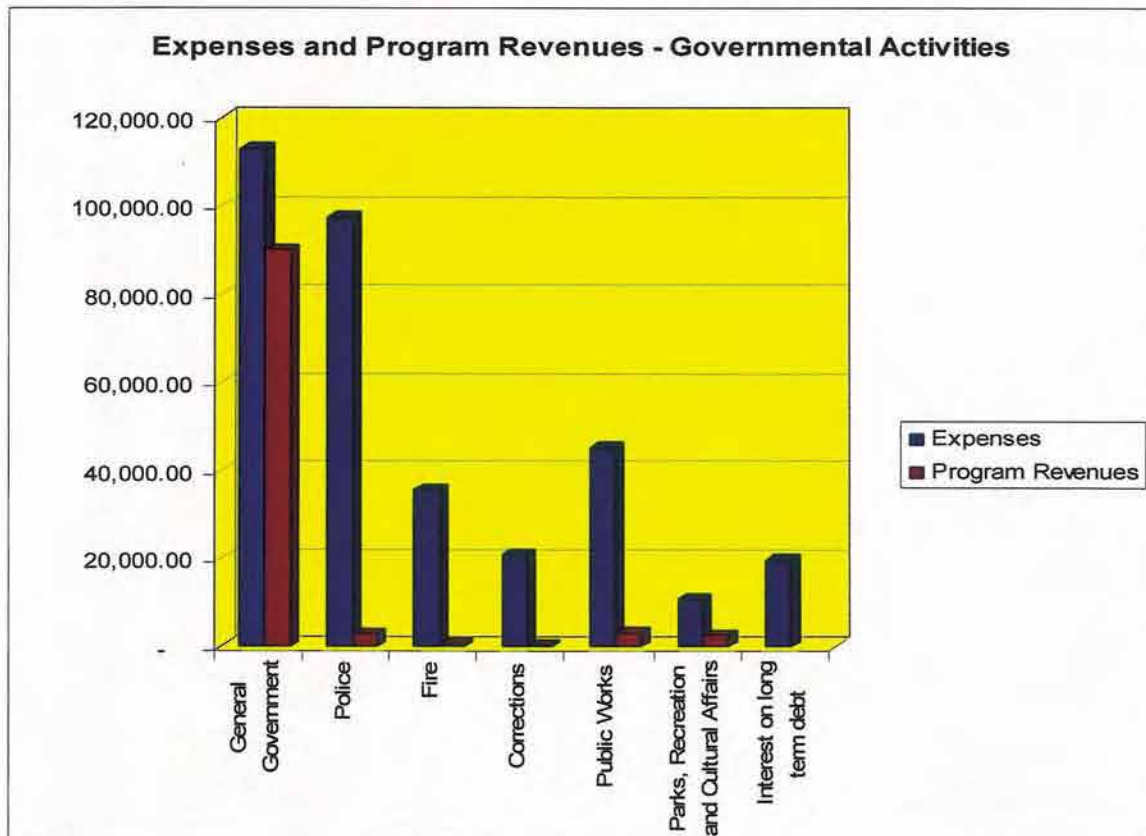
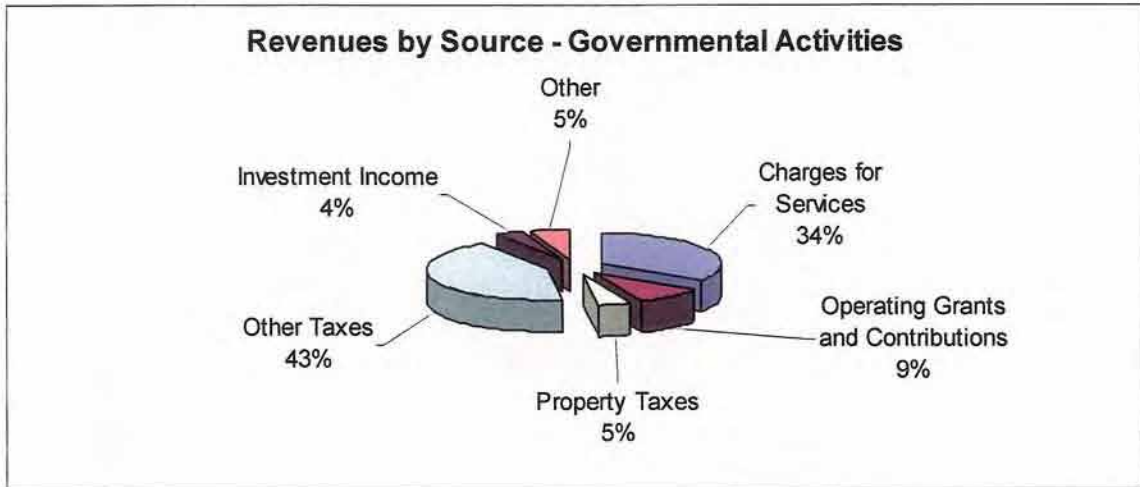


Figure 2. Program Revenues for Governmental Activities, Six Months Ended June 30, 2006 (in thousands)



Business-type activities. The net assets of the City's business-type activities increased the City's net assets by \$207.0 million, representing growth of 4.9% since December 31, 2005.

Figure 3. Expenses for Business-type Activities, Six Months Ended June 30, 2006 (in thousands)

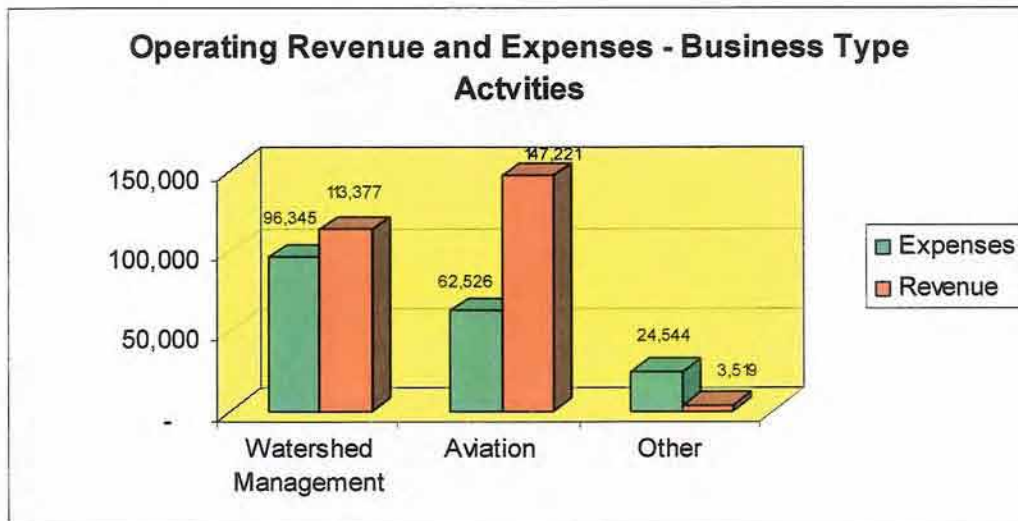
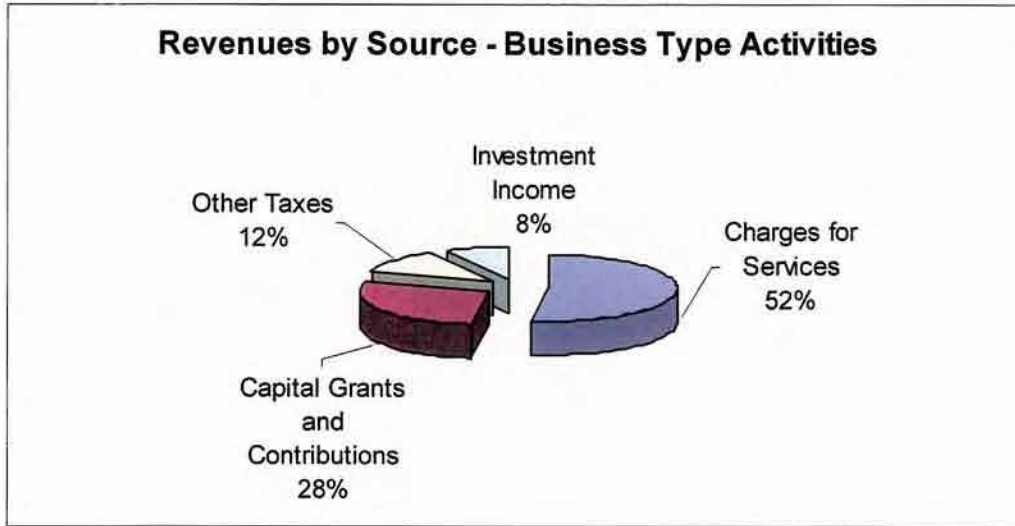


Figure 4. Program Revenues for Business-type Activities, Six Months Ended June 30, 2006 (in thousands)



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 \$62.7 million.

	2006	2005
REVENUES		
Total operating revenues	\$ 113,377	\$ 242,573
Non-operating revenues	90,002	143,124
Total revenues	<u>\$ 203,379</u>	<u>\$ 385,697</u>
EXPENSES		
Total operating expenses	\$ 96,345	\$ 159,081
Depreciation expenses	29,726	62,551
Non-operating expenses	14,635	11,554
Total expenses	<u>\$ 140,706</u>	<u>\$ 233,186</u>

The department's total revenue for the six month period ending June 30, 2006 was relatively flat compared to the same period in 2005. The department initiated a project to repair or replace all large meters throughout the water system in an effort to generate a more accurate reading for billing customers.

During the six month period ending June 30, 2006 total expenses increased in relation to the same period for 2005. The increase in total operating expenses for the six month period was mainly due to (1) filling of vacant positions, (2) increased utilities expenses and (3) increased consultant and professional expenses.

Department of Aviation. Total net assets for the six month period ended June 30, 2006 was \$3.2 billion, an increase of \$172.5 million since December 31, 2005. This increase is primarily due to a \$495.4 million or 7.95% increase in total assets and a corresponding \$322.9 million or 10.8% increase in total liabilities.

The restricted portion of the Airport's net assets represents bond reserve funds that are restricted under the bond ordinance, and Passenger Facility Charges (PFCs) restricted by Federal PFC regulations for the purposes authorized including the payment of future indebtedness. Also included are the Customer Facility Charges (CFCs) used to repay the Consolidated Car Rental Facility (CONRAC) bonds and related expenses.

Unrestricted net assets may be used to meet any of the Airport's ongoing capital and operating obligations. The balance in unrestricted assets at June 30, 2006 was \$329.8 million compared to \$217 million at December 31, 2005.

Table 4. Aviation Revenues and Expenses – Six Month Period Ended June 30, 2006 and Twelve Month Period Ended December 31, 2005 (in thousands)

	<u>2006</u>	<u>2005</u>
REVENUES		
Operating revenues	\$ 147,221	\$ 289,478
Investment income	23,378	104,963
Other income	<u>107,536</u>	<u>170,199</u>
Total revenues	<u>\$ 278,135</u>	<u>\$ 564,640</u>
EXPENSES		
Operating expenses	\$ 62,526	\$ 120,284
Interest expenses	38,977	61,275
Depreciation and amortizations	26,317	49,572
Impairment losses	<u>8,500</u>	<u>-</u>
Total expenses	<u>\$ 136,320</u>	<u>\$ 231,131</u>

Total revenues consist of operating revenue and non-operating revenues. Operating revenues are diverse and consist primarily of inside concessions, parking, ground transportation, landing fees, terminal rentals, reimbursed operating expenses, and other revenues. Non-operating revenues consist of investment income and revenues from PFCs and CFCs. Total revenues for the six months ended June 30, 2006 were \$278.1 million.

Total operating revenues for the period January through June 2006 were \$147.2 million. Parking, car rentals, and concessions accounted for 54% of this total, and the increase in the public parking rate effective November 2005 was a major contributor to an increase in operating revenues.

Total non-operating revenues for the period under review were \$130.9 million. PFC revenue was \$85.4 million, 65.26% of the total non-operating revenue. CFC revenue for the six month period ended June 30, 2006 was \$12.1 million. Collection of CFC revenue became effective on October 1, 2005 and will be used to pay the debt issued to facilitate the construction of CONRAC and other related expenses.

Total expenses consist of operating, non-operating, depreciation, amortization, and impairment losses. Operating expenses consist of salaries and employee benefits, repairs, maintenance, contractual and general services, utilities, materials and supplies and other expenses. Non-operating expenses consist of interest on long term debt and other non-operating expenses. Total expenses for the six months ended June 30, 2006 were \$136.3 million.

Operating expenses for the period were \$62.5 million or 48.9% of total expenses. Salaries and benefits were \$32.5 million or 51.9% of operating expenses, while repairs, maintenance, and other contractual services were \$15.8 million or 25.3% of operating expenses. The remaining 22.8% of operating expenses consist of general services in the amount of \$5.1 million, utilities \$1.96 million, materials and supplies \$1.5 million, and other expenses of \$5.7 million.

Non-operating expenses for the period include interest on long term debt of \$39 million.

In addition, depreciation and amortization expenses totaled \$26.3 or 20.6% of total expenses. The loss in 2006 for impaired capital assets was an estimated \$8.5 million or 6.2% of total expenses (reported per GASB 42). The loss is associated with the Maynard Holbrook Jackson, Jr. International Terminal (MHJIT) project.

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 June 30, 2006, the City's governmental funds reported combined ending fund balances of \$409.5 million. Of this amount, \$72.9 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 (\$56.7 million), 2) to fund ongoing programs (\$173.1 million), 3) to fund ongoing and future projects (\$70.3 million), 4) to pay debt service (\$36.5 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 \$92.9 million, while total fund balance reached \$100.5 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 42 % of total general fund expenditures, while total fund balance represents 45 % of that same amount.

The debt service fund has a total fund balance of \$36.5 million, all of which is reserved for the payment of debt service. The net decrease in fund balance for the debt service fund was \$3.3 million or 8.3%.

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 \$329.8 million. The unrestricted net assets for the Department of Watershed Management amounted to \$356.7 million.

The total growth in net assets for proprietary funds was \$206.0 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 2006 general fund revenues on a non-GAAP budgetary basis were \$219.8 million, 25.23 % more 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 as well as intergovernmental revenues which came in at levels greater than anticipated.

Expenditures, on a non-GAAP budgetary basis for 2006, were \$260 million. This represented an expenditure of 102 % of original budgeted appropriations and 94.2% of the final budgeted appropriations. Expenses exceeded budgeted appropriation due to additional expenditures related public safety.

Much of the difference between the City's initial or tentative budget and the final budget was due to increases to personnel allocations in the public safety category.

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 June 30, 2006, amounts to \$7.7 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 six month period ended June 30, 2006 was \$648.5 million or 9.2%.

Major capital asset events during the six month period ending June 30, 2006 included the following:

- Additions to construction in process totaled \$634.2 million. Of this amount 77.2% is due to construction projects in the Departments of Aviation and Watershed Management.
- Infrastructure assets increased by \$22.1 million mainly due to Quality of Life bond funded activity.

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

	Total Primary Government					
	Governmental Activities		Business-type Activities		Total	
	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05
Land	\$ 78,198	\$ 63,759	\$ 1,038,998	\$ 932,313	\$ 1,117,196	\$ 996,072
Buildings and building improvements	267,185	267,789	2,417,604	2,443,701	2,684,789	2,711,490
Land improvements	10,554	9,132	1,217,426	487,585	1,227,980	496,717
Other property and equipment	51,532	47,950	58,617	57,771	110,149	105,721
Infrastructure	533,406	522,860	-	-	533,406	522,860
Construction in progress	180,086	41,483	1,881,266	2,212,059	2,061,352	2,253,542
Total	\$ 1,120,961	\$ 952,973	\$ 6,613,911	\$ 6,133,429	\$ 7,734,872	\$ 7,086,402

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, including capital leases increased by \$364.8 million, which is an increase of 5.9% during the current six month period ended June 30, 2006. The key factors for this increase include an increase of \$187.5 in limited obligation bonds, and a net increase of \$178.9 million in airport facilities revenue bonds. These increases were offset by decreases in capital leases for Water and Wastewater and Sanitation by \$1.0 million and \$1.1 million respectively.

	Governmental Activities		Business-type Activities		Total	
	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05	6-Months Ended 30-Jun-06	12-Months Ended 31-Dec-05
	General obligation and annual bonds	\$ 283,865	\$ 283,865	\$ -	\$ -	\$ 283,865
Premium on bonds	6,221	6,221	-	-	6,221	6,221
SWMA revenue refunding bonds	23,035	23,035	-	-	23,035	23,035
Limited obligation bonds	406,255	218,740	-	-	406,255	218,740
Discount on bonds	(1,581)	(1,581)	-	-	(1,581)	(1,581)
Section 108 loans	9,515	9,515	-	-	9,515	9,515
Certificates of participation	168,274	166,528	-	-	168,274	166,528
Water and Wastewater Revenue Bonds	-	-	2,542,765	2,542,765	2,542,765	2,542,765
Premium on bonds	-	-	38,388	38,881	38,388	38,881
GEFA notes payable	-	-	23,106.00	23,373	23,106	23,373
Airport Facilities Revenue Bonds	-	-	2,984,043	2,805,127	2,984,043	2,805,127
Issuance discount and refunding losses	-	-	(19.00)	662	(19)	662
Underground Atlanta	-	-	61,280.00	61,280	61,280	61,280
Capital Leases:						
General fund	5,835	5,835	-	-	5,835	5,835
Water and Wastewater System	-	-	19,614.00	20,520	19,614	20,520
Sanitation Fund	-	-	1,134.00	2,205	1,134	2,205
Total	\$ 901,419	\$ 712,158	\$ 5,670,311	\$ 5,494,813	\$ 6,571,730	\$ 6,206,971

The City's underlying ratings for its bond issuances at June 30, 2006 were as follows:

Table 7. City of Atlanta Bond Rating Fiscal 2006

CITY OF ATLANTA MUNICIPAL BOND RATINGS			
TYPE BONDS	MUNICIPAL CREDIT RATING		
	Moody's Investors Service	Standard & Poor's	Fitch
GENERAL OBLIGATIONS BONDS Underlying Rating	Aa3	AA-	
WATER AND WASTEWATER REVENUE BONDS Underlying Rating	Baa1	A	BBB+
HARTSFIELD-JACKSON ATLANTA INTERNATIONAL AIRPORT REVENUE BONDS 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 \$2.7 billion, which is significantly in excess of the City of Atlanta's outstanding general obligation debt. See the Legal Debt Margin Information 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 2007, Atlanta's economic outlook is expected to continue the positive trends and favorable performance observed in 2006. 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 taxes are expected to continue steady upward trends. In addition, revenue from business licenses 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.

Basic Financial Section

CITY OF ATLANTA, GEORGIA

Statement of Net Assets

June 30, 2006

(In Thousands)

	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 49,797	\$ 18,512	\$ 68,309	\$ 9,602
Restricted cash	-	110,645	110,645	10,349
Investments in pooled investment fund	80,855	502,414	583,269	-
Investments	25,539	-	25,539	5,791
Receivables (net of allowances for uncollectibles)	56,962	54,994	111,956	8,371
Due from other governments	14,965	13,110	28,075	349
Internal balances	(4,022)	4,022	-	-
Inventories	-	14,158	14,158	225
Other restricted assets	-	42,492	42,492	-
Prepaid expenses and other assets	44	3,171	3,215	304
Total current assets	224,140	763,518	987,658	34,991
Noncurrent assets:				
Restricted cash	-	-	-	97,332
Restricted investments	284,275	2,981,701	3,265,976	30,126
Capital assets:				
Land and construction in progress	258,284	2,920,264	3,178,548	25,572
Other capital assets, net of depreciation	329,271	3,693,647	4,022,918	253,550
Infrastructure, net of depreciation	533,406	-	533,406	-
Investments in joint venture	-	80,959	80,959	-
Investments in escrow	31,268	-	31,268	-
Other assets	43,866	209,849	253,715	24,280
Long-term receivable	-	-	-	7,699
Total noncurrent assets	1,480,370	9,886,420	11,366,790	438,559
Total Assets	1,704,510	10,649,938	12,354,448	473,550
LIABILITIES				
Current liabilities				
Accounts payable	73,635	27,837	101,472	6,459
Accrued expenses, vacations, and compensatory pay	33,210	14,250	47,460	8
Claims payable	21,480	10,816	32,296	-
Contract retentions	2,219	-	2,219	-
Due to other governments	4,634	450	5,084	-
Other liabilities	-	4,040	4,040	12,507
Deferred revenues	4,285	-	4,285	4,134
Notes payable	-	76,037	76,037	-
Liabilities payable from restricted assets	-	296,864	296,864	20,054
Current portion of long-term debt	30,548	80,808	111,356	18,488
Current portion of other liabilities	10,557	5,758	16,315	-
Current portion of capital leases	1,336	3,027	4,363	-
Total current liabilities	181,904	519,887	701,791	61,650
Noncurrent liabilities				
Noncurrent portion of long-term debt	866,617	5,568,755	6,435,372	351,069
Noncurrent portion of capital leases	4,499	17,721	22,220	-
Deferred revenue	-	6,338	6,338	-
Other long-term liabilities	31,860	77,622	109,482	12,368
Total non-current liabilities	902,976	5,670,436	6,573,412	363,437
Total Liabilities	1,084,880	6,190,323	7,275,203	425,087
NET ASSETS				
Invested in capital assets, net of related debt	482,373	3,177,702	3,660,075	15,941
Restricted for:				
Debt service	36,532	104,864	141,396	-
Programs	173,138	-	173,138	11,062
Capital projects	127,021	565,012	692,033	-
Unrestricted	(199,434)	612,037	412,603	21,460
Total Net Assets	\$ 619,630	\$ 4,459,615	\$ 5,079,245	\$ 48,463

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA

Statement of Activities

For the Six Months Ended June 30, 2006

(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	\$ 113,068	\$ 72,668	\$ 17,514	\$ -
Police	97,514	1,374	1,321	-
Fire	35,715	1	515	-
Corrections	20,921	372	-	-
Public Works	45,231	2,857	62	-
Parks, Recreation and Cultural Affairs	10,768	568	1,769	-
Interest on long-term debt	19,546	-	-	-
Total Governmental activities	342,763	77,840	21,181	-
Business-type activities				
Watershed Management	140,848	113,377	-	13,535
Aviation	126,399	147,221	-	128,207
Sanitation	24,563	663	-	-
Parks and Recreational Facilities	647	386	-	-
Underground Atlanta	5,425	1,507	-	-
Civic Center	864	963	-	-
Total Business-type activities	298,746	264,117	-	141,742
Total Primary Government	\$ 641,509	\$ 341,957	\$ 21,181	\$ 141,742
Component Units -	\$ 64,427	\$ 37,914	\$ 13,646	\$ -

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 period, as previously stated

Correction of prior year errors

Net assets - beginning of period, as restated

NET ASSETS - END OF PERIOD

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
\$ (22,886)		\$ (22,886)	
(94,819)		(94,819)	
(35,199)		(35,199)	
(20,549)		(20,549)	
(42,312)		(42,312)	
(8,431)		(8,431)	
(19,546)		(19,546)	
<u>(243,742)</u>		<u>(243,742)</u>	
	\$ (13,936)	(13,936)	
	149,029	149,029	
	(23,900)	(23,900)	
	(261)	(261)	
	(3,918)	(3,918)	
	<u>99</u>	<u>99</u>	
	107,113	107,113	
<u>(243,742)</u>	<u>107,113</u>	<u>(136,629)</u>	
			\$ (12,867)
8,739	-	8,739	-
1,522	-	1,522	-
50,460	59,035	109,495	4,549
8,488	-	8,488	-
38,234	-	38,234	-
334	-	334	-
9,312	40,831	50,143	805
11,398	-	11,398	3,059
128,487	99,866	228,353	8,413
(5)	5	-	-
128,482	99,871	228,353	8,413
(115,260)	206,984	91,724	(4,454)
734,890	4,252,631	4,987,521	61,763
-	-	-	(8,846)
734,890	4,252,631	4,987,521	52,917
<u>\$ 619,630</u>	<u>\$ 4,459,615</u>	<u>\$ 5,079,245</u>	<u>\$ 48,463</u>

CITY OF ATLANTA, GEORGIA

Balance Sheet
 Governmental Funds
 June 30, 2006
 (In Thousands)

	General Fund	Capital Projects Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 19,660	\$ -	\$ -	\$ 30,045	\$ 49,705
Investments in pooled investment fund	-	8,711	-	56,372	65,083
Investments	576	-	9,835	15,128	25,539
Receivables:					
Taxes	5,570	-	1,186	354	7,110
Accounts	13,269	-	-	1,355	14,624
Other	-	-	-	321	321
Due from other governments	-	-	-	14,965	14,965
Due from other funds	244,294	10,621	490	8,678	264,083
Restricted investments	-	87,194	26,147	170,934	284,275
Other assets	-	-	-	44	44
Investments in escrow	28,155	-	-	3,113	31,268
TOTAL ASSETS	\$ 311,524	\$ 106,526	\$ 37,658	\$ 301,309	\$ 757,017
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 21,470	\$ 15,447	\$ -	\$ 7,947	\$ 44,864
Accrued liabilities, vacations, and compensatory pay	15,463	85	-	445	15,993
Contract retentions	-	1,517	-	702	2,219
Due to other governments	-	-	-	4,634	4,634
Due to other funds	170,864	42,080	-	59,353	272,297
Deferred revenue	3,178	-	1,126	3,159	7,463
Total Liabilities	210,975	59,129	1,126	76,240	347,470
Fund Balances (Deficit):					
Reserved for:					
Encumbrances	7,602	23,837	-	25,276	56,715
Special programs	-	-	-	173,138	173,138
Capital improvements	-	23,560	-	46,746	70,306
Debt service	-	-	36,532	-	36,532
Unreserved:					
Undesignated, reported in:					
General fund	92,947	-	-	-	92,947
Special revenue funds	-	-	-	(20,091)	(20,091)
Total fund balances	100,549	47,397	36,532	225,069	409,547
TOTAL LIABILITIES AND FUND BALANCES	\$ 311,524	\$ 106,526	\$ 37,658	\$ 301,309	\$ 757,017

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
 June 30, 2006
 (In Thousands)

Total fund balances \$ 409,547

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:

	\$	13,867	
Taxes receivable		13,423	
Accounts receivable		(10,870)	
Allowance for uncollectible receivables		(10,870)	16,420

Other liabilities are not recognized as current year revenues and, therefore, are classified as deferred in the above funds			3,178
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the above funds:

		258,284	
Land and construction in progress		2,332,065	
Cost of Capital Assets		(1,469,388)	
Less: Accumulated Depreciation		(1,469,388)	1,120,961

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

Deferred costs			43,866
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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.

		7,997	7,997
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Long-term liabilities, including capital leases, are not due and payable in the current period and therefore are not reported in the above funds.

		(283,865)	
General obligation and annual bonds		(23,035)	
SWMA revenue refunding bonds		(406,255)	
Limited obligation bonds		(9,515)	
Section 108 loans		(5,835)	
Capital Leases		(168,274)	
Certificates of participation		(6,221)	
Unamortized premiums (discounts) on bond issues		(21,473)	
Vacation pay		(33,431)	
Health, Dental and General claims payable		(1,441)	
Arbitrage rebate		(22,994)	
Workers' compensation		(22,994)	(982,339)

NET ASSETS OF GOVERNMENTAL ACTIVITIES		619,630	\$ 619,630
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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 Six Months Ended June 30, 2006
(In Thousands)

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Property taxes	\$ 10,513	\$ -	\$ 803	\$ 719	\$ 12,035
Local option sales taxes	50,460	-	-	-	50,460
Public utility, alcoholic beverage and other taxes	44,169	-	1,597	-	45,766
Licenses and permits	51,526	-	-	-	51,526
Charges for current services	3,389	-	-	9,338	12,727
Fines, forfeitures and penalties	6,727	-	-	1,572	8,299
Investment income	2,109	1,503	862	4,769	9,243
Intergovernmental revenues and contributions:					
Federal revenues	-	-	-	15,815	15,815
State and local grants and contributions	-	-	-	5,367	5,367
Other	334	-	-	-	334
Building rentals and concessions	5,877	-	-	-	5,877
Other	1,104	-	-	6,277	7,381
Total revenues	<u>176,208</u>	<u>1,503</u>	<u>3,262</u>	<u>43,857</u>	<u>224,830</u>
EXPENDITURES					
Current:					
General government:	60,020	48,816	12	170,015	278,863
Police	77,844	2,462	-	15,860	96,166
Fire	31,124	902	-	1,630	33,656
Corrections	19,728	10	-	339	20,077
Public Works	15,324	32,546	-	5,080	52,950
Parks, Recreation and Cultural Affairs	12,718	1,335	-	7,304	21,357
Debt Service:					
Interest payments	4,557	-	6,536	8,453	19,546
Bond issuance costs	-	-	-	11,941	11,941
Total Expenditures	<u>221,315</u>	<u>86,071</u>	<u>6,548</u>	<u>220,622</u>	<u>534,556</u>
Excess (deficiency) of revenues over expenditures	<u>(45,107)</u>	<u>(84,568)</u>	<u>(3,286)</u>	<u>(176,765)</u>	<u>(309,726)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	189,261	189,261
Proceeds from sale of assets	-	7,036	-	-	7,036
Transfers in (out)	(320)	29,800	-	(29,485)	(5)
Total Other Financing Sources (Uses)	<u>(320)</u>	<u>36,836</u>	<u>-</u>	<u>159,776</u>	<u>196,292</u>
Net change in fund balances	(45,427)	(47,732)	(3,286)	(16,989)	(113,434)
Fund Balance:					
Beginning of the period	<u>145,976</u>	<u>95,129</u>	<u>39,818</u>	<u>242,058</u>	<u>522,981</u>
FUND BALANCE, END OF PERIOD	<u>\$ 100,549</u>	<u>\$ 47,397</u>	<u>\$ 36,532</u>	<u>\$ 225,069</u>	<u>\$ 409,547</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 Six Months Ended June 30, 2006
 (In Thousands)

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

Net change in fund balance - total governmental funds		\$ (113,434)
Some revenues 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 \$ 3,327	
	Business License <u>956</u>	4,283
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the above funds		
		(5,101)
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 192,893	
	Disposal of assets (3,019)	
	Depreciation Expense <u>(21,886)</u>	167,988
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	30,000
The issuance of long-term debt (capitalized leases) provides current financial resources to governmental 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	(189,261)
	Amortization of issuance costs, premiums and discounts	11,941
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 revenues of these activities are reported as governmental funds for affected departments.		
		(1,819)
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.		
	Health, Dental and General claims payable (16,292)	
	Compensated absences (782)	
	Long-term workers' compensation <u>(2,783)</u>	<u>(19,857)</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ (115,260)</u>

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 Six Months Ended June 30, 2006
(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	\$ 13,011	\$ 8,950	\$ 8,950	\$ -
Sales, public utility, alcoholic beverage, and other taxes	96,018	120,510	120,510	-
Licenses and permits	41,364	51,797	51,797	-
Intergovernmental revenues:				
State and local grants and contributions	-	21,114	21,114	-
Charges for services:				
Recreation fees and other	4,792	3,178	3,178	-
Fines, forfeitures, and penalties	597	466	6,226	5,760
Revenues from use of money and property:				
Investment income	786	1,703	1,703	-
Building rentals and concessions	5,082	6,318	6,318	-
Other income	13,832	-	-	-
Total revenues	<u>175,482</u>	<u>214,036</u>	<u>219,796</u>	<u>5,760</u>

CITY OF ATLANTA, GEORGIA
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current:				
General government:				
Executive offices	\$ 7,242	\$ 9,672	\$ 7,697	\$ 1,975
Personnel and human resources	2,043	2,523	2,099	424
City council	2,935	5,516	2,641	2,875
Courts and judicial agencies	9,823	10,476	10,103	373
Finance	5,934	6,908	8,380	(1,472)
Planning and community development	6,844	8,987	6,574	2,413
Law	3,579	3,257	3,239	18
Procurement	918	1,265	1,254	11
Total general government	<u>39,318</u>	<u>48,604</u>	<u>41,987</u>	<u>6,617</u>
Public safety:				
Police	64,858	77,777	76,839	938
Fire	29,831	34,260	32,868	1,392
Corrections	19,320	20,402	20,016	386
Total public safety	<u>114,009</u>	<u>132,439</u>	<u>129,723</u>	<u>2,716</u>
Public works				
Parks, recreation, and cultural affairs	14,434	17,072	14,616	2,456
Nondepartmental expenditures	13,129	13,920	12,216	1,704
Debt service fund:				
Interest on bonds	-	2,499	1,827	672
Total debt service	<u>-</u>	<u>2,499</u>	<u>1,827</u>	<u>672</u>
Total expenditures	<u>255,761</u>	<u>276,188</u>	<u>260,063</u>	<u>16,125</u>
Excess of revenues over expenditures (under) expenditures	(80,279)	(62,152)	(40,267)	21,885
OTHER FINANCING SOURCES (USES):				
Proceeds from general long-term debt				
Transfers in	17,650	102	-	(102)
Transfers out	-	-	(320)	(320)
Total other financial sources and uses	<u>17,650</u>	<u>102</u>	<u>(320)</u>	<u>(422)</u>
Excess of revenues and other sources over expenditures and other uses	<u>(62,629)</u>	<u>(62,050)</u>	<u>(40,587)</u>	<u>\$ 21,463</u>
Reconciliation to GAAP basis:				
To record effect of net changes in unrecorded assets	-	-	(43,588)	
To record effect of net changes in unrecorded liabilities	-	-	38,748	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(62,629)	(62,050)	(45,427)	
Fund balance, beginning of period				
Beginning of the period	-	8,027	145,976	
End of period	<u>\$ (62,629)</u>	<u>\$ (54,023)</u>	<u>\$ 100,549</u>	

The accompanying notes are an integral part of the statements

CITY OF ATLANTA, GEORGIA

Statement of Net Assets

Proprietary Funds

June 30, 2006

(In Thousands)

	Business Activities - Enterprise Funds			Total	Governmental
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds		Internal Service Fund
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,075	\$ 6,494	\$ 943	\$ 18,512	\$ 92
Restricted cash	36,103	74,542	-	110,645	-
Investments in pooled investment fund	156,682	326,405	19,327	502,414	15,772
Receivables:					
Accounts	63,048	6,795	11,415	81,258	-
Less allowance for doubtful accounts	(35,754)	(3,500)	(10,301)	(49,555)	-
Taxes	19,221	-	-	19,221	-
Interest	4,070	-	-	4,070	-
Total receivables	50,585	3,295	1,114	54,994	-
Due from other governments	13,110	-	-	13,110	-
Due from other funds	77,263	282,535	679	360,477	761
Inventories	12,780	1,378	-	14,158	-
Prepaid expenses	-	3,171	-	3,171	-
Restricted assets	29,764	12,728	-	42,492	-
Total current assets	387,362	710,548	22,063	1,119,973	16,625
Noncurrent assets:					
Restricted Investments	958,328	2,023,373	-	2,981,701	-
Capital assets:					
Land	97,406	556,871	23,023	677,300	136
Land purchased for noise abatement	-	361,699	-	361,699	-
Construction in progress	708,240	1,173,026	-	1,881,266	-
Land improvements	-	1,909,673	-	1,909,673	-
Buildings and other structures	2,923,099	934,536	75,429	3,933,064	5,492
Other property and equipment	98,197	83,425	44,607	226,229	21,026
Less accumulated depreciation	(1,119,741)	(1,175,240)	(80,339)	(2,375,320)	(25,204)
Capital assets, net	2,707,201	3,843,990	62,720	6,613,911	1,450
Investment in joint venture	80,959	-	-	80,959	-
Other assets	55,437	145,400	8,251	209,088	-
Total noncurrent assets	3,801,925	6,012,763	70,971	9,885,659	1,450
Total Assets	\$ 4,189,287	\$ 6,723,311	\$ 93,034	\$ 11,005,632	\$ 18,075

The accompanying notes are an integral part of the statements.

	Business Activities - Enterprise Funds				Governmental
	Department of	Department of	Other	Total	Activities
	Watershed		Nonmajor		Internal Service
	Management	Aviation	Funds		Fund
LIABILITIES					
Liabilities:					
Current liabilities					
Accounts payable	\$ 24,510	\$ 688	\$ 2,640	\$ 27,838	\$ 5,085
Accrued expenses, vacations, and compensatory pay	6,989	6,116	1,144	14,249	1,775
Claims payable	6,885	3,931	-	10,816	-
Due to other governments	450	-	-	450	-
Deposits and advance	1,169	-	-	1,169	-
Due to other funds	40,555	264,073	55,599	360,227	1,768
Current maturities of long-term debt	546	-	4,225	4,771	-
Current maturities of capital leases	1,893	-	1,134	3,027	-
Current portion of other liabilities	1,697	190	4,062	5,949	-
	<u>84,694</u>	<u>274,998</u>	<u>68,804</u>	<u>428,496</u>	<u>8,628</u>
Current liabilities payable from restricted assets:					
Accounts payable	42,485	129,713	-	172,198	-
Accrued interest payable	20,736	50,501	-	71,237	-
Arbitrage rebate liability	9,618	-	-	9,618	-
Contract retention	17,557	23,383	-	40,940	-
Current maturities of long-term debt	24,210	51,827	-	76,037	-
Commercial Paper notes payable	51,000	27,150	-	78,150	-
Deposits and advances	-	2,871	-	2,871	-
	<u>165,606</u>	<u>285,445</u>	<u>-</u>	<u>451,051</u>	<u>-</u>
Total current liabilities payable from restricted assets					
Total current liabilities	<u>250,300</u>	<u>560,443</u>	<u>68,804</u>	<u>879,547</u>	<u>8,628</u>
Noncurrent liabilities					
Long-term debt, excluding current maturities	2,579,503	2,932,197	57,055	5,568,755	-
Capital lease obligations, excluding current maturities	17,721	-	-	17,721	-
Deferred revenue	6,338	-	-	6,338	-
Contract retention, excluding current portion	5,387	5,431	-	10,818	-
Arbitrage rebate liability	3,364	1,313	-	4,677	-
Accrued workers' compensation	5,590	652	9,832	16,074	-
Claims payable	6,461	9,449	-	15,910	-
Landfill postclosure costs	-	-	29,950	29,950	-
Total noncurrent liabilities	<u>2,624,364</u>	<u>2,949,042</u>	<u>96,837</u>	<u>5,670,243</u>	<u>-</u>
Total Liabilities	<u>2,874,664</u>	<u>3,509,485</u>	<u>165,641</u>	<u>6,549,790</u>	<u>8,628</u>
NET ASSETS (Deficit)					
Invested in capital assets, net of related debt	957,911	2,215,260	4,531	3,177,702	1,450
Restricted for:					
Debt service and Capital projects	-	668,742	1,134	669,876	-
Unrestricted	356,712	329,824	(78,272)	608,264	7,997
Total net assets (deficit)	<u>\$ 1,314,623</u>	<u>\$ 3,213,826</u>	<u>\$ (72,607)</u>	<u>\$ 4,455,842</u>	<u>\$ 9,447</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>3,773</u>	
Net assets of business-type activities				<u>\$ 4,459,615</u>	

CITY OF ATLANTA, GEORGIA
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Six Months Ended June 30, 2006
(In Thousands)

	Business Activities - Enterprise Funds			Total	Governmental
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds		Internal Service Fund
Operating revenues:					
Charges for services	\$ 111,949	\$ 80,333	\$ 1,170	\$ 193,452	\$ 65,603
Rentals, admissions and concessions	-	50,874	2,349	53,223	-
Other	1,428	16,014	-	17,442	5
Total operating revenues	113,377	147,221	3,519	264,117	65,608
Operating expenses:					
Salaries and employee benefits	39,782	32,454	10,721	82,957	51,538
Utilities	11,363	1,951	275	13,589	346
Supplies and materials	7,701	1,477	300	9,478	6,962
Repairs, maintenance and other contractual services	9,908	15,831	1,373	27,112	2,151
Motor equipment services	2,439	-	3,668	6,107	36
Engineering and consultant fees	11,299	-	4,807	16,106	1,217
General services	10,525	5,069	326	15,920	3,576
Programs services and other costs	3,328	5,744	3,074	12,146	1,074
Total operating expenses	96,345	62,526	24,544	183,415	66,900
Operating income (loss) before depreciation and amortization	17,032	84,695	(21,025)	80,702	(1,292)
Depreciation and amortization	29,726	26,317	3,227	59,270	282
Operating income (loss)	(12,694)	58,378	(24,252)	21,432	(1,574)
Nonoperating revenues (expenses):					
Sales tax revenue	59,035	-	-	59,035	-
Investment income	17,432	23,378	21	40,831	69
Interest expense	(6,637)	(38,977)	(3,460)	(49,074)	(10)
Passenger facility charges	-	85,438	-	85,438	-
Customer facility charges	-	12,101	-	12,101	-
Other revenue (expenses)	(7,998)	9,997	-	1,999	-
Total nonoperating revenues (expenses)	61,832	91,937	(3,439)	150,330	59
Income (loss) before capital contributions and impairment losses	49,138	150,315	(27,691)	171,762	(1,515)
Capital contributions	13,535	30,668	-	44,203	-
Impairment losses	-	(8,500)	-	(8,500)	-
Transfers in	-	-	5	5	-
Changes in net assets	62,673	172,483	(27,686)	207,470	(1,515)
Net Assets (Deficit), beginning of period	1,251,950	3,041,343	(44,921)	4,248,372	10,962
Net Assets (Deficit), end of period	\$ 1,314,623	\$ 3,213,826	\$ (72,607)	\$ 4,455,842	\$ 9,447
			Change in net assets	207,470	
			Adjustments to reflect the consolidation of internal service fund activities related to enterprise funds	(486)	
			Change in net assets of business-type activities	\$ 206,984	

CITY OF ATLANTA, GEORGIA
Statement of Cash Flows
Proprietary Funds
For the Six Months Ended June 30, 2006
(In Thousands)

	Business Activities - Enterprise Funds			Governmental	
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds	Internal Service Fund	
			Total		
Cash flow from operating activities					
Cash received from user charges	\$ 123,999	\$ 145,040	\$ 9,040	\$ 278,079	\$ 119,187
Cash payments to employees for services	(38,236)	(32,575)	(9,901)	(80,712)	(89,145)
Cash payments to suppliers for goods and services	(66,975)	(30,700)	(14,919)	(112,594)	(26,946)
Net cash provided by (used in) operating activities	<u>18,788</u>	<u>81,765</u>	<u>(15,780)</u>	<u>84,773</u>	<u>3,096</u>
Cash flows from noncapital financing activities					
Transfers in	-	-	5	5	2,200
Transfers out	-	-	-	-	(1,000)
	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>	<u>1,200</u>
Cash flows from capital and related financing activities					
Capital contributions	72,514	31,845	-	104,359	-
Principal repayments of long-term debts	(1,665)	(45,684)	(381)	(47,730)	-
Acquisition, construction and improvements of capital assets	(242,765)	(195,145)	(26)	(437,936)	(647)
Passenger and customer facility charges	-	94,258	-	94,258	-
Proceeds from bond issuance	51,000	228,994	-	279,994	-
Interest paid on revenue bonds	(66,361)	(68,402)	(3,460)	(138,223)	-
Net cash provided by (used in) capital and related financing activities	<u>(187,277)</u>	<u>45,866</u>	<u>(3,867)</u>	<u>(145,278)</u>	<u>(647)</u>
Cash flows from investing activities					
Interest on investments	44,165	33,151	21	77,337	245
Purchases and sales of nonpooled investments, net	107,018	(100,488)	-	6,530	-
Net change in investment in pooled funds	16,274	(16,618)	19,908	19,564	(3,620)
Net cash provided by (used in) investing activities	<u>167,457</u>	<u>(83,955)</u>	<u>19,929</u>	<u>103,431</u>	<u>(3,375)</u>
Net change in cash and cash equivalents	<u>(1,032)</u>	<u>43,676</u>	<u>287</u>	<u>42,931</u>	<u>274</u>
Cash and cash equivalents, beginning of period	48,210	37,360	656	86,226	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 47,178</u>	<u>\$ 81,036</u>	<u>\$ 943</u>	<u>\$ 129,157</u>	<u>\$ 274</u>

Continued

CITY OF ATLANTA, GEORGIA

Statement of Cash Flows
 Proprietary Funds
 For the Six Months Ended June 30, 2006
 (In Thousands)

	Business Activities - Enterprise Funds			Total	Governmental
	Department of Watershed Management	Department of Aviation	Other Nonmajor Funds		Internal Service Fund
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (12,694)	\$ 58,378	\$ (24,252)	\$ 21,432	\$ (1,574)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization	29,726	26,317	3,227	59,270	282
Changes in assets and liabilities					
Receivables - net of allowance	12,731	(2,181)	3,739	14,289	-
Inventories	(852)	(50)	-	(902)	-
Due from other funds	(20,601)	-	-	(20,601)	(101)
Prepaid expenses and other assets	-	708	-	708	-
Due from other governmental units	791	-	-	791	-
Investment in Joint Venture	(3,014)	-	-	(3,014)	-
Accounts payable and accrued expenses	26,330	(1,407)	(276)	24,647	(1,977)
Claims payable	2,454	-	-	2,454	-
Deposits and advances	(2,900)	-	-	(2,900)	-
Due to other funds	(13,183)	-	1,782	(11,401)	456
Net cash provided by (used in) operating activities	\$ 18,788	\$ 81,765	\$ (15,780)	\$ 84,773	\$ (2,914)
Supplemental schedule of non-cash financing activities:					
Appreciation of capital appreciation bonds	\$ -	\$ 4,850	\$ -	\$ 4,850	\$ -

The accompanying notes are an integral part of the statements.

CITY OF ATLANTA, GEORGIA

Statement of Fiduciary Net Assets

Fiduciary Funds

June 30, 2006

(In Thousands)

ASSETS

	Pension Trust Funds	Agency Fund
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 113,215	\$ 704
Investments in pooled investment fund	-	21,762
Investments:		
Equities	897,493	54
U. S. government and agency obligations	510,723	-
Corporate bonds	160,567	-
Other	<u>60,309</u>	<u>-</u>
Total Investments	<u>1,629,092</u>	<u>54</u>
Securities lending collateral investment pool	272,852	-
Due from brokers for securities sold	23,433	-
Other receivables	8,805	-
Due from other funds	<u>27,458</u>	<u>-</u>
 Total Assets	 <u>\$ 2,074,855</u>	 <u>\$ 22,520</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable	\$ 1,316	\$ 22,520
Other liabilities	72,711	-
Due to other funds	18,487	-
Liability for securities lending agreement	<u>272,851</u>	<u>-</u>
 Total Liabilities	 365,365	 22,520
 Net Assets		
Held in Trust for Pension Benefits		
(See Schedule of Funding Progress on page 101)	<u>1,709,490</u>	<u>-</u>
 Total Net Assets	 <u>\$ 1,709,490</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 Six Months Ended June 30, 2006
(In Thousands)

	Pension Trust Funds
Additions	
Employer contributions	\$ 58,641
Employee contributions	10,176
Refunds and other	240
Investment income:	
Net change in	
fair value of investments	4,519
Investment income	21,132
Securities lending income	171
Less: Investment expenses	(3,204)
Net investment loss	22,618
 Total Additions	 91,675
Deductions	
Benefit payments	63,837
Refunds	1,351
Administrative expenses	3,465
 Total Deductions	 68,653
 Change in Net Assets	 23,022
Net Assets Held in Trust for Pension Benefits:	
Beginning of Period	1,686,468
 End of Period	 \$ 1,709,490

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

June 30, 2006

(In Thousands)

	Atlanta Fulton County Recreation Authority	Atlanta Empowerment Zone Corporation	Atlanta Development Authority	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 1,397	\$ -	\$ 8,205	\$ 9,602
Restricted cash	-	-	10,349	10,349
Short-term investments	1,648	-	4,143	5,791
Receivables:				
Accounts	288	-	-	288
Pledges	3,870	-	-	3,870
Notes receivable	-	949	-	949
Other receivable	8	1,164	2,092	3,264
Total receivables	<u>4,166</u>	<u>2,113</u>	<u>2,092</u>	<u>8,371</u>
Due from other governmental units and agencies	-	82	267	349
Inventories	225	-	-	225
Prepaid expenses and other assets	187	-	117	304
Total current assets	<u>7,623</u>	<u>2,195</u>	<u>25,173</u>	<u>34,991</u>
Restricted assets:				
Cash and cash equivalents	97,332	-	-	97,332
Investments	19,437	-	10,689	30,126
Mortgage loans receivable	-	-	7,699	7,699
Bond issues costs and discounts	4,116	-	6,735	10,851
Other restricted assets	-	-	13,429	13,429
Total restricted assets	<u>120,885</u>	<u>-</u>	<u>38,552</u>	<u>159,437</u>
Property and equipment - at cost:				
Land	23,204	-	1,947	25,151
Construction-in-progress	421	-	-	421
Land improvements	927	-	3,271	4,198
Buildings and improvements	276,964	-	45,525	322,489
Other property and equipment	24,439	-	2,307	26,746
	325,955	-	53,050	379,005
Less accumulated depreciation	<u>(93,947)</u>	<u>-</u>	<u>(5,936)</u>	<u>(99,883)</u>
Property and equipment, net	<u>232,008</u>	<u>-</u>	<u>47,114</u>	<u>279,122</u>
Total assets	<u>\$ 360,516</u>	<u>\$ 2,195</u>	<u>\$ 110,839</u>	<u>\$ 473,550</u>

The accompanying notes are an integral part of the statements.

	Atlanta Fulton County Recreation Authority	Atlanta Empowerment Zone Corporation	Atlanta Development Authority	Totals
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued expenses	\$ 4,831	\$ 138	\$ 1,490	\$ 6,459
Accrued interest payable	8	-	-	8
Notes and loans payable	1,116	-	-	1,116
Other liabilities	<u>10,806</u>	<u>-</u>	<u>585</u>	<u>11,391</u>
Total current liabilities	<u>16,761</u>	<u>138</u>	<u>2,075</u>	<u>18,974</u>
Liabilities Payable from Restricted Assets:				
Current maturities of long-term debt	18,122	-	366	18,488
Accrued interest payable	-	-	3,472	3,472
Other liabilities	918	-	15,664	16,582
Deferred revenues	<u>261</u>	<u>-</u>	<u>3,873</u>	<u>4,134</u>
Total liabilities payable from restricted assets	<u>19,301</u>	<u>-</u>	<u>23,375</u>	<u>42,676</u>
Long-Term Liabilities:				
Long-term debt, excluding current maturities	294,130	-	56,939	351,069
Other liabilities	<u>-</u>	<u>-</u>	<u>12,368</u>	<u>12,368</u>
Total liabilities	<u>330,192</u>	<u>138</u>	<u>94,757</u>	<u>425,087</u>
NET ASSETS				
Investment in capital assets, net of related debt	26,993	-	(11,052)	15,941
Restricted for grant programs	-	1,523	9,539	11,062
Unrestricted	<u>3,331</u>	<u>534</u>	<u>17,595</u>	<u>21,460</u>
Total net assets	<u>\$ 30,324</u>	<u>\$ 2,057</u>	<u>\$ 16,082</u>	<u>\$ 48,463</u>

CITY OF ATLANTA, GEORGIA
Component Units

Statement of Activities
For the Six Months Ended June 30, 2006
(In Thousands)

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets				TOTALS
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	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	11,717	7,270	408	-	-	-	-	(4,039)	(4,039)
Total Business-type activities	64,119	37,794	13,159	-	-	(8,481)	(646)	(4,039)	(13,166)
Total Component Units	\$ 64,427	\$ 37,914	\$ 13,646	\$ -	299	(8,481)	(646)	(4,039)	(12,867)
General revenues:									
Other taxes	-	-	-	-	-	4,549	-	-	4,549
Investment income	-	-	-	-	-	805	-	-	805
Other	-	-	-	-	-	315	-	2,744	3,059
Total General revenues	-	-	-	-	-	5,669	-	2,744	8,413
Change in net assets	299	(2,812)	(646)	(1,295)	(4,454)				
Net assets - beginning of period, as previously reported	9,091	33,136	2,159	17,377	61,763				
Correction of prior year errors	(8,846)	-	-	-	(8,846)				
Net assets - beginning of period, as restated	245	33,136	2,159	17,377	52,917				
NET ASSETS - END OF PERIOD	\$ 544	\$ 30,324	\$ 1,513	\$ 16,082	\$ 48,463				

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The accompanying notes are an integral part of the statements.



**Notes to
Financial Statements**

CITY OF ATLANTA, GEORGIA

Notes to Financial Statements
Six Months Ended June 30, 2006

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 component units have a June 30 year end. All discretely presented component units have a December 31 year end with the exception of the Atlanta Development Authority, which changed to a June 30 fiscal 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 the six months ended June 30, 2006. 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 Drive, 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 2006 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 Atlanta Empowerment Zone Corporation (EZ) was established and incorporated in 1996 to oversee, implement, administer, and monitor the strategic plan for the Empowerment Zone program. The EZ program grant had an initial ten-year term that expired in July 16, 2005. 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

In, December 2001 the City completed an application to become a Renewal Community (RC), and in January 2002; the Department of Housing and Urban Development (HUD) awarded the City the Renewal Community status. As a result of the City being designated a Renewal Community, the City's designation as an Empowerment Zone was terminated. At the time of the RC designation, the City's EZ program had an estimate of \$53 million of unspent grant funds. The City petitioned the U.S. Department of Health and Human Services (HHS) Office of Community Service (OCS) for permission to continue the use of the EZ Social Service Block Grant Title XX funds and the request was granted until December 31, 2009.

The RC statute required the City of Atlanta to form a coordinating responsible authority (CoRA) to develop, submit and implement the strategic plan or course of action that meet the RC Statute. The City formed an independent non-profit Georgia corporation (Atlanta CoRA, Inc) and a cooperative agreement transferring the responsibility of administering the remaining \$53 million EZ funds was executed between the Atlanta CoRA, Inc (ACoRA) Board and the City.

As of June 30, 2006, financial statements have not been issued for ACoRA.

Notes to the Financial Statements - Continued

A. Reporting Entity, continued

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.

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 2006.

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 \$3,014,000 during the six month period ending June 30, 2006. These capital costs are reflected as Investment in Joint Venture in the Statement of Net Assets-Proprietary Funds and as cash paid to suppliers for goods and services in the Statement of Cash Flows – Proprietary Funds.

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 \$737,000 for the six month period ending June 30, 2006. These costs are reflected as operating costs in the Statement of Revenues, Expenses and Changes in Fund Net Assets-Proprietary Funds.

Notes to the Financial Statements - Continued

A. Reporting Entity, continued

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.

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 six month fiscal period, the City paid approximately \$185,194 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.

Notes to the Financial Statements - Continued

B. Government-Wide and Fund Financial Statements, continued

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.

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.

Notes to the Financial Statements - Continued

C. Measurement Focus and Basis of Accounting, continued

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 only)* 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 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.

Notes to the Financial Statements, Continued

C. Measurement Focus and Basis of Accounting, continued

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.

Notes to the Financial Statements, Continued

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, continued

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 \$5,000 and over an estimated useful life in excess of two years.

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:

<u>Department of Aviation:</u>	
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

<u>Department of Watershed Management Fund:</u>	
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

<u>Sanitation:</u>	
Buildings	20-25 years
Equipment	5-20 years

<u>Parks and Recreational Facilities:</u>	
Buildings	40 years
Other property and equipment	15-20 years

<u>Underground Atlanta:</u>	
Parking garage	30 years
Buildings	15 - 30 years
Machinery, equipment, and other	5 years

<u>Internal Service Fund:</u>	
Buildings	40 years
Other property and equipment	3-8 years

<u>City of Atlanta and Fulton County Recreation Authority (as a discretely presented component unit):</u>	
Buildings and improvements	15-30 years
Parking garage	30 years
Other property and equipment	3- 10 years

<u>Atlanta Development Authority (as a discretely presented component unit):</u>	
Buildings and improvements	29-40 years
Equipment	30 years
Furniture	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 \$33,129,000 and \$26,025,000, respectively, in interest costs during the six months ended June 30, 2006.

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, health and dental claims, 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. For the six months ended June 30, 2006, such allocated expenses amounted to \$4,594,000 for the Department of Aviation, \$7,556,000 for the Department of Watershed Management, \$3,020,000 for the Sanitation Fund, and \$1,974,000 for the Internal Service Fund.

Costs allocated to the Community Development Fund are based upon a negotiated indirect cost rate, determined by an independent study. The City's indirect cost rate is based upon the prior year's cost calculation, documented in the Cost Allocation Plan. Such expenditures charged to Community Development for the six months ended June 30, 2006 amounted to approximately \$297,000.

The reimbursement of these costs to the General Fund is recorded as a reduction in expenditures.

13. Change in Fiscal Year

During 2004, the City Council approved changing the City's fiscal year from December 31 to June 30, effective January 1, 2006. Accordingly, the amounts reported in the accompanying statements and notes to the statements are for the six months ended June 30, 2006.

Notes to the Financial Statements - Continued

E. New Accounting Pronouncements

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

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.

The impact of this pronouncement 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 Community Development, Intergovernmental Grant, Tax Allocation Districts and Other Special Revenue all within the Special Revenue Funds; and, the 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.

Notes to the Financial Statements - Continued

A. Budgets and Budgetary Accounting, continued

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.

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 the six months ended June 30, 2006 supplemental anticipations and appropriations occurred as legal amendments 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.

Notes to the Financial Statements - Continued

B. Excess of Expenditures Over Appropriations

The City did not have any excess expenditures over appropriations for the six months ended June 30, 2006.

C. Deficit Fund Equity

The following funds reported deficits in Fund Balance at June 30, 2006:

- Sanitation Fund had an accumulated deficit of \$64,579,000 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. Additionally, as of July 1, 2006, the Sanitation Fund activities will be transferred to the General Fund.
- Underground Atlanta Fund had an accumulated deficit of \$14,157,000 due to deficiencies in operating revenue (see note III.I.). The management company of the Underground project plans to revitalize the Underground project and provide positive operating results in the future.
- Intergovernmental Grant Fund had an accumulated deficit of \$6,771,000 due to increased expenditures in the area of public safety, specifically police expenditures.

Notes to the Financial Statements - Continued

III. Detailed Notes on All Funds

A. Deposits and Investments

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 participating 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 the Federal Farm Credit Bank (FFCB), Federal Home Loan Bank System (FHLBS), Federal Home Loan Mortgage Corporation (FHLMC), and Federal National Mortgage Association (FNMA). 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 dealer, as defined by the Federal Reserve, or a financial institution doing business in the state of Georgia, and which is rated no less than A or its equivalent by two nationally recognized rating services.

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

Notes to the Financial Statements – Continued

A. Deposits and Investments, continued

Investments in Employee Retirement Plans

The City 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 respective Plans, including the management of Plan assets, and for carrying out the investment policy on behalf of the respective Plans.

The Plans' investments are managed by various investment managers under contracts with the respective 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 transactions 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 June 30, 2006, was approximately six 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 June 30, 2006, the City had the following fixed income investments (in thousands), with the corresponding credit ratings and maturities.

Type of Investments	Credit Rating	Maturity					Carrying Value
		Under 30 Days	31 - 180 Days	181 - 365 Days	1 - 5 Years	Over 5 Years	
U.S. Government Obligations	Aaa/AAA	\$ 98,708	\$ 413,014	\$ 165,029	\$ 172,731	\$ -	\$ 849,482
U.S. Government Treasuries	Exempt	14,976	89,245	88,419	32,114	-	224,754
State Pool	AAA	265,362	-	-	-	-	265,362
CD's	Exempt	-	700	600	1,660	-	2,960
Repurchase Agreements	Exempt	111,288	-	-	-	-	111,288
Money Markets	AAA	287,007	-	-	-	-	287,007
GIC's *	*	-	21,566	-	2,021,331	145,244	2,188,141
		<u>\$ 777,341</u>	<u>\$ 524,525</u>	<u>\$ 254,048</u>	<u>\$ 2,227,836</u>	<u>\$ 145,244</u>	<u>\$ 3,928,994</u>

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

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.

Notes to the Financial Statements - Continued

A. Deposits and Investments, continued

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.

Investments in any one issuer that represent 5% or more of total investments by *reporting unit* were as follows as of June 30, 2006:

<u>Issuer</u>	<u>Investment Type</u>	<u>% of Total Investments</u>
Department of Aviation		
Citigroup	GIC	8.20%
Societe Generale	GIC	18.10%
Morgan Stanley	GIC	5.80%
Department of Watershed Management		
Citigroup	GIC	16.30%

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 June 30, 2006, the City's investment in the Georgia Fund 1 is approximately \$265,362,000. The total amount recorded by all public agencies in Georgia Fund 1 at that date is approximately \$7,863,824,000.

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 June 30, 2006, the City's Pension Plans had the following fixed income investments, with the corresponding credit ratings and maturities.

<u>Type of Investments</u>	<u>Credit Rating</u>	<u>Maturity</u>					<u>Fair Value</u>
		<u>Under 1 year</u>	<u>1 - 3 years</u>	<u>3 - 5 years</u>	<u>5 - 10 years</u>	<u>Over 10 Years</u>	
U.S. Government Agencies	AAA	\$ 8,741,477	\$ 22,833,474	\$ 12,878,440	\$ 28,873,953	\$ 153,166,644	\$ 226,493,988
U.S. Treasury Securities	Exempt	1,292,356	6,298,207	8,064,059	13,647,347	-	29,301,969
U.S. Government Obligations	A+/AAA	5,208,861	21,099,162	33,942,822	37,620,077	34,334,928	132,205,850
Corporate Bonds	AA/A-	9,279,133	40,923,684	47,443,239	24,279,218	28,107,255	150,032,529
Corporate Bonds	B+/BBB	2,801,482	5,299,820	6,606,422	10,758,712	12,271,601	37,738,037
CMO's	AAA	-	-	-	-	7,167,367	7,167,367
CMO's	NR	-	1,931,309	1,925,696	9,909,760	47,690,477	61,457,242
Private Placement Trust	A-	286,635	153,232	-	-	-	439,867
		<u>\$ 27,609,944</u>	<u>\$ 98,538,888</u>	<u>\$ 110,860,678</u>	<u>\$ 125,089,067</u>	<u>\$ 282,738,272</u>	<u>\$ 644,836,849</u>

Securities Lending Transactions

At June 30, 2006, 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' custodians requires them to indemnify the Plans if the custodians fail 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 June 30, 2006.

Concentration Credit Risk. Investments in any one issuer that represent 5% or more of total investments for the combined *Pension Plans* are as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>% of Total Investments</u>
Northern Trust Bank N.A.	Equities	8.90%

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>
Police Officer's Pension Plan:		
Europac Growth Fund	Equities	5.96%
Northern Trust Bank N.A.	Equities	30.14%
NTGI	Equities	5.21%
Fireman's Pension Plan:		
FHLMC	Federal Agency Security	7.63%
FNMA	Federal Agency Security	12.67%
ISHARES TR	Equities	22.23%

Foreign Currency Risk. The Plans' policies state that the portfolio will consist of domestic equities, domestic fixed income and cash equivalents. At June 30, 2006, the Plans were not in compliance with the provisions of its policy requirements for authorized investment purchases. As of June 30, 2006 the Plans had investments in foreign equity securities totaling \$60,886,000, investments in foreign fixed income securities totaling \$2,807,000 and investments in short-term securities totaling \$3,131,000.

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.

<u>Currency</u>	<u>Short Term</u>	<u>Debt</u>	<u>Equity</u>	<u>Total</u>
Canada	\$ -	\$ 368,001	\$ 969,933	\$ 1,337,934
India	-	-	906,120	906,120
Netherlands	-	-	1,255,115	1,255,115
Singapore	-	-	297,540	297,540
Switzerland	-	-	898,128	898,128
United Kingdom	-	1,348,822	463,175	1,811,997
Mexico	-	1,090,114	-	1,090,114
France	3,130,628	-	-	3,130,628
Total Europe Region -USD	-	-	177,120	177,120
Total International Region -USD	-	-	24,887,829	24,887,829
Total Multi-National Agencies Region-USD	-	-	31,030,673	31,030,673
Total Securities subject to Foreign Currency Risk	\$ 3,130,628	\$ 2,806,937	\$ 60,885,633	\$ 66,823,198
United States	\$ 3,088,415	\$ 736,637,524	\$ 794,191,697	\$ 1,533,917,636
Total US dollars Securities				
Total International & US Investment Securities	\$ 6,219,043	\$ 739,444,461	\$ 855,077,330	\$ 1,600,740,834

Notes to the Financial Statements - Continued

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

Due to the City's change in fiscal year end, property taxes were not billed during the six month period ending June 30, 2006.

In a normal fiscal year, property taxes would include amounts levied against all real, public utility, and personal property. The City shares a common tax base with the Atlanta Independent School System (the "School System"), portions of Fulton and DeKalb counties, and a hospital authority. Property taxes are to be 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.

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 \$114,000 in 2006 related to collections of prior year taxes. 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.

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 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 six months ended June 30, 2006 follows (in thousands):

	Balance at December 31, 2005	Additions	Deletions and Retirements	Transfers	Balance at June 30, 2006
Governmental activities:					
Capital assets not being depreciated					
Land	\$ 63,759	\$ 14,439	\$ -	\$ -	\$ 78,198
Construction in progress	41,483	144,589	-	(5,986)	180,086
Total capital assets not being depreciated	<u>105,242</u>	<u>159,028</u>	<u>-</u>	<u>(5,986)</u>	<u>258,284</u>
Capital assets being depreciated					
Land improvements	21,030	1,690	-	116	22,836
Buildings and building improvements	341,780	3,216	1,108	483	344,371
Other property and equipment	131,822	6,878	3,153	-	135,547
Infrastructure	1,804,128	22,081	2,285	5,387	1,829,311
Total capital assets being depreciated	<u>2,298,760</u>	<u>33,865</u>	<u>6,546</u>	<u>5,986</u>	<u>2,332,065</u>
Totals at historical cost	<u>2,404,002</u>	<u>192,893</u>	<u>6,546</u>	<u>-</u>	<u>2,590,349</u>
Less: Accumulated Depreciation					
Land improvements	11,898	384	-	-	12,282
Buildings and building improvements	74,149	3,581	544	-	77,186
Other property and equipment	83,714	3,270	2,969	-	84,015
Infrastructure	1,281,268	14,651	14	-	1,295,905
Total accumulated depreciation	<u>1,451,029</u>	<u>21,886</u>	<u>3,527</u>	<u>-</u>	<u>1,469,388</u>
Governmental activities capital assets, net	<u>\$ 952,973</u>	<u>\$ 171,007</u>	<u>\$ 3,019</u>	<u>\$ -</u>	<u>\$ 1,120,961</u>
Business-type activities:					
Capital assets not being depreciated					
Land	\$ 932,313	\$ 40,170	\$ -	\$ 66,515	\$ 1,038,998
Construction in progress	2,212,059	489,620	-	(820,413)	1,881,266
Total capital assets not being depreciated	<u>3,144,372</u>	<u>529,790</u>	<u>-</u>	<u>(753,898)</u>	<u>2,920,264</u>
Capital assets being depreciated					
Land improvements	1,163,083	-	-	746,591	1,909,674
Buildings and other structures	3,925,757	-	-	7,307	3,933,064
Other property and equipment	219,956	10,537	4,265	-	226,228
Total capital assets being depreciated	<u>5,308,796</u>	<u>10,537</u>	<u>4,265</u>	<u>753,898</u>	<u>6,068,966</u>
Totals at historical cost	<u>8,453,168</u>	<u>540,327</u>	<u>4,265</u>	<u>-</u>	<u>8,989,230</u>
Less: Accumulated Depreciation					
Land improvements	675,497	16,751	-	-	692,248
Buildings and other structures	1,482,056	33,403	-	-	1,515,459
Other property and equipment	162,186	8,661	3,236	-	167,611
Total accumulated depreciation	<u>2,319,739</u>	<u>58,816</u>	<u>3,236</u>	<u>-</u>	<u>2,375,319</u>
Business-type activities capital assets, net	<u>\$ 6,133,429</u>	<u>\$ 481,511</u>	<u>\$ 1,029</u>	<u>\$ -</u>	<u>\$ 6,613,911</u>

Notes to Financial Statements – Continued

C. Capital Assets, continued

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

General government:	\$	1,634
Police		689
Fire		2,551
Corrections		107
Public Works		15,784
Parks, Recreation and Cultural Affairs		<u>1,121</u>
 Total	 \$	 <u>21,886</u>

In accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and For Insurance Recoveries*, the Department of Aviation assessed an impairment loss of \$8,500,000 associated with the Maynard Jackson International Terminal (MJIT) project due to construction stoppage on the project.

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 June 30, 2006 are as follows (in thousands):

	Due from other funds	Due to other funds
General Fund	\$ 244,294	\$ 170,864
Capital projects fund	10,621	42,080
Debt service fund	490	-
Nonmajor governmental funds	8,678	59,353
Department of Watershed Management	77,263	40,555
Department of Aviation	282,535	264,073
Nonmajor enterprise funds	679	55,599
Internal Service Fund	761	1,768
Fiduciary funds	<u>27,458</u>	<u>18,488</u>
Total Primary Government	<u>\$ 652,780</u>	<u>\$ 652,780</u>

Notes to the Financial Statements – Continued

D. Interfund Receivables, Payables, and Transfers, continued

Transfers for the six months ended June 30, 2006 are as follows (in thousands):

	Transfers In	Transfers Out
General Fund	\$ -	\$ 320
Capital Projects Fund	30,000	200
Nonmajor governmental funds	515	30,000
Nonmajor enterprise funds	5	-
Total	\$ 30,520	\$ 30,520

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 \$2,133,157,000 with a carrying value of approximately \$1,293,084,000. Depreciation expense for the six months ended June 30, 2006 on the facilities was approximately \$22,475,000. 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 June 30, 2006 minimum future rentals and fees to be received under non-cancelable leases or concession agreements are as follows (in thousands):

2007	\$ 193,835
2008	197,712
2009	201,666
2010	205,699
2011	209,813
2012 - 2016	1,113,714
2017 – 2021	1,229,530
2022 – 2023	526,970
Total	\$3,878,939

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 approximately \$41,012,000 for the six months ended June 30, 2006.

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 \$11,544,000 as of June 30, 2006 and is recorded as a component of depreciation expense. Amortization expense was \$1,009,000 for the six month period ended June 30, 2006.

The present values of the future minimum capital lease payments as of June 30, 2006 are as follows (dollars in thousands):

2007	\$ 2,977
2008	2,977
2009	2,847
2010	2,835
2011	2,598
2012 - 2016	9,894
2017	<u>1,219</u>
Total minimum payments	25,347
Less amounts representing interest	<u>(5,733)</u>
Present value of minimum capital lease payments	<u>\$ 19,614</u>

Sanitation Fund

For its Sanitation Fund, the City has entered into a lease agreement for 54 refuse trucks. This lease agreement qualifies as a capital lease for accounting purposes. Included in capital assets, other property and equipment is \$7,924,000 for refuse trucks acquired under capital lease. Accumulated depreciation at June 30, 2006 amounted to \$5,794,000.

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

2007	<u>\$ 1,200</u>
Total minimum payments	1,200
Less amounts representing interest	<u>(66)</u>
Present value of minimum capital lease payments	<u>\$ 1,134</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 building. This lease agreement qualifies as a capital lease for accounting purposes. Included in capital assets is \$55,195,000 for the Traffic Court building. Accumulated depreciation at June 30, 2006 amounted to \$3,538,000.

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

2007	\$ 3,940
2008	3,938
2009	3,940
2010	3,939
2011	3,928
2012 – 2016	19,619
2017 – 2021	19,523
2022 – 2026	19,430
2027	<u>3,874</u>
Total minimum payments	82,131
Less amounts representing interest	<u>(32,181)</u>
Present value of minimum capital lease payments	<u>\$ 49,950</u>

The City also entered into a lease agreement for 43 Fire Trucks (Fire Apparatus). 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 June 30, 2006 amounted to \$8,541,000.

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

2007	\$ 1,679
2008	1,679
2009	1,679
2010	<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):

2007	\$ 5,924
2008	<u>5,924</u>
Total minimum payments	<u>\$ 11,848</u>

F. Notes Payable

Department of Aviation

In July 2005, the City authorized the issuance of 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 airport revenues are pledged as security for payment on the Series A Notes and PFC Revenues and a subordinate pledge of general airport revenues secures the Series B Notes. The Notes do not constitute a debt, liability, or obligation of the City's governmental funds, or a pledge of the faith and credit or taxing power of the City. These Notes are considered a short 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 Notes, when due, will be secured by an irrevocable, direct pay letter of credit issued by a consortium of four banks. The Notes 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. The irrevocable direct pay letter of credit expires on November 30, 2015.

Short-term debt activities for the six months ended June 30, 2006 were as follows (in thousands):

	<u>12/31/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2006</u>
Commercial Paper Notes	\$ 26,695	\$58,130	\$57,675	\$27,150

Interest rates on Notes issued during the six months ended June 30, 2006 ranged from 3.34% to 3.62%.

Notes to the Financial Statements – Continued

G. Long Term Obligations

Department of Watershed Management

In March 2006, the City authorized the issuance of Water and Wastewater Commercial Paper Notes, Series 2006, up to the amount of \$600,000,000. These Notes were issued to finance on an interim basis a portion of the multi-phase, long-term capital improvement program for the Department and to pay the costs associated with the issuance of the notes. Revenue of the Department is pledged as security for payment on the Notes, which is junior and subordinate to the pledge of revenue securing the Department's long term debt. The notes do not constitute a debt, liability, or obligation of the City's governmental funds, or a pledge of the faith and credit or taxing power of the City. These Notes are considered a short term obligation of the Department and may be repaid and reissued as often as necessary to affect the purposes set out in the program. The Notes, when due, will be secured by an irrevocable, direct pay letter of credit issued on a several but not joint basis by four banks. The Notes 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. The irrevocable, direct pay letter of credit expires on February 1, 2009. The commitment fees incurred to obtain the letter of credit in 2006 was \$341,425.

Short-term debt activities for the six months ended June 30, 2006 were as follows (in thousands):

	<u>12/31/05</u>	<u>Increases</u>	<u>Decreases</u>	<u>6/30/2006</u>
Commercial Paper Notes \$	-	\$51,000	\$ -	\$51,000

The interest rate on Notes issued during the six months ended June 30, 2006 was 3.73%.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Changes in long-term debt during the six months ended June 30, 2006 follow (in thousands):

	Balance at December 31, 2005	Additions	Reductions	Balance at June 30, 2006	Due within One Year
Governmental activities:					
Long-term debt					
General obligation and annual bonds	\$ 283,865	\$ -	\$ -	\$ 283,865	\$ 15,355
Plus: Premium on bonds	6,221	-	-	6,221	-
SWMA revenue refunding bonds	23,035	-	-	23,035	975
Limited obligation bonds	218,740	187,515	-	406,255	3,310
Less: Discounts on bonds	(1,581)	-	-	(1,581)	-
Section 108 loans	9,515	-	-	9,515	1,315
Capital leases	5,835	-	-	5,835	1,336
Certificates of participation					
1990 GMA lease pool	10,054	1,746	-	11,800	3,273
1998 GMA lease pool	32,444	-	-	32,444	-
2002 COPS	49,950	-	-	49,950	1,400
Installment sale program	74,080	-	-	74,080	4,920
Total long-term debt	<u>712,158</u>	<u>189,261</u>	<u>-</u>	<u>901,419</u>	<u>31,884</u>
Other long-term liabilities					
Vacation and compensatory payable	20,829	7,122	(6,341)	21,610	15,579
Health and dental claims payable	3,954	20,805	(20,388)	4,371	4,371
General claims payable	14,626	19,129	(4,695)	29,060	21,480
Arbitrage rebate	-	1,441	-	1,441	944
Workers' compensation	20,211	4,508	(1,725)	22,994	5,242
Total other long-term liabilities	<u>59,620</u>	<u>53,005</u>	<u>(33,149)</u>	<u>79,476</u>	<u>47,616</u>
Total long-term liabilities	<u>\$ 771,778</u>	<u>\$ 242,266</u>	<u>\$ (33,149)</u>	<u>\$ 980,895</u>	<u>\$ 79,500</u>

Notes to Financial Statements – Continued

G. Long Term Obligations, continued

	Balance at December 31, 2005	Additions	Reductions	Balance at June 30, 2006	Due within One Year
Business-type activities					
Long-term debt					
Department of Aviation:					
Facilities Revenue Bonds	\$ 2,805,127	\$ 233,860	\$ (54,944)	\$ 2,984,043	\$ 51,827
Issuance discounts and premium	662	(369)	(312)	(19)	-
Department of Watershed Management:					
System Revenue Bonds	2,542,765	-	-	2,542,765	24,210
Plus: Premium on bonds	38,881	(554)	61	38,388	-
GEFA Notes Payable	23,373	-	(267)	23,106	546
Capital lease obligation	20,520	-	(906)	19,614	1,893
Nonmajor funds:					
Capital lease obligation (Sanitation fund)	2,205	-	(1,071)	1,134	1,134
Revenue Bonds (Underground Atlanta)	61,280	-	-	61,280	4,225
Total long-term debt	<u>5,494,813</u>	<u>232,937</u>	<u>(57,439)</u>	<u>5,670,311</u>	<u>83,835</u>
Other long-term liabilities:					
Arbitrage rebate	6,088	8,209	-	14,297	9,618
Landfill Postclosure Liability	31,922	-	(823)	31,099	1,149
Workers' compensation	18,848	2,342	(316)	20,874	4,609
Total other long-term liabilities	<u>56,858</u>	<u>10,551</u>	<u>(1,139)</u>	<u>66,270</u>	<u>15,376</u>
Total long-term liabilities	<u>\$ 5,551,671</u>	<u>\$ 243,488</u>	<u>\$ (58,578)</u>	<u>\$ 5,736,581</u>	<u>\$ 99,211</u>
Component Units					
Long-term debt:					
Atlanta Fulton County Recreation Authority	\$ 312,252	\$ -	\$ -	\$ 312,252	\$ 18,122
Atlanta Downtown Development Authority	57,454	-	(149)	57,305	366
Total long-term debt	<u>\$ 369,706</u>	<u>\$ -</u>	<u>\$ (149)</u>	<u>\$ 369,557</u>	<u>\$ 18,488</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 June 30, 2006 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	84,070
	<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	8,000
	<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	11,800
1998 GMA Loan Pool, \$32,444, 4.75%, due November 30, 2028	32,444
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	49,950
	<u>168,274</u>

Limited Obligation Bonds:

Section 108 Loans, \$23,375, 5.40% - 7.96%, due August 1, 2019	9,515
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	38,000
2006 Atlantic Station, \$166,515, 3.5% due, December 1, 2024	166,515
2006 Princeton Lakes Project, \$21,000, variable, due January 1, 2031	21,000
	<u>415,770</u>

Total General Long-Term Debt

\$ 890,944

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

During 2006, the City issued limited obligation bonds for the Princeton Lakes Tax Allocation District (\$21,000,000) and for the Atlantic Station Tax Allocation District (\$166,515,000). 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, limited obligations of the City secured solely by and payable solely from Tax Allocation Increments, the income derived from the investment thereof and certain reserves. Neither the full faith and credit nor the taxing power of the State of Georgia or any political subdivision thereof, including the City and Fulton County, is pledged as security for the payment of the principal of, redemption premium, if any, and interest on the Bonds. 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.

Arbitrage 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. At June 30, 2006 the City calculated the arbitrage rebate liability to be \$14,297,000 on business type activities long term debt and \$1,441,000 on governmental activities long term debt.

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 June 30, 2006, 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 June 30, 2006 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	\$ 56,438
Airport Facilities Revenue Refunding Bonds, Series 1996 at 5.25% - 6.50%, due serially through 2010	42,550
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	51,625
Total General Revenue and Refunding Bonds	1,713,728

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	170,800
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	1,036,455

Customer Facility Charge (CFC) Bonds

City of College Park Taxable Revenue Bonds, (Hartsfield-Jackson Atlanta International Airport Consolidated Rental Car Facility Project, Series 2006A at 5.497% - 5.965% (Conduit Debt)	211,880
City of College Park Revenue Bonds, (Hartsfield-Jackson Atlanta International Airport Automated People Mover System Maintenance Facility Project), Series 2006B at 4% - 4.69% (Conduit Debt)	21,980
Total CFC Restricted Revenue Bonds	233,860

Total bonds	2,984,043
Less:	
Current maturities	(51,827)
Unamortized discounts/premiums, net	(19)
Total Long Term Obligations	\$ 2,932,197

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

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. The City (the “Purchaser”) pursuant to the terms of an Installment Purchase Agreement dated June 1, 2006 (the “Agreement”) with the City of College Park (the “Issuer”) obligates the Purchaser to make installment payments to the Issuer to cover the principal, premium and interest of the Series 2006A/B Bonds. The City has adopted an ordinance imposing a customer facility charge (The “CFC”) effective October 1, 2005. The CFC revenues have been pledged to secure the payments due under the Agreement. The City has recorded these transactions as released revenue bonds. At June 30, 2006, the balance of outstanding conduit debt totaled \$233,860,000. The City of College Park which has no obligations to make debt service payments disclosed the two bond issuances as conduit debt in their comprehensive annual financial report for the fiscal year ended June 30, 2006.

Interest Rate Exchange Agreements (SWAPs) and Associated Bonds

Department of Aviation

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.

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.

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).

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

The Department will also pay the interest rate resulting from the periodic remarketing of the 2003 variable rate bonds. As of June 30, 2006, rates were as follows:

	<u>Terms</u>	<u>Rates</u>
Interest rate swaps:		
Fixed payment to counter party	Fixed	3.01 %
Variable payment from counterparty	67.5% of LIBOR-BBA (5.33%)	<u>(3.60)%</u>
Net interest rate swap payments (receipts)		<u>(0.59)%</u>
Variable rate bond coupon payments	Weekly	<u>3.99%</u>
Synthetic interest rate on bonds		<u>3.40 %</u>

Fair Value - As of June 30, 2006, the combined fair value of the two swaps was \$ 41.6 million 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 June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows (in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

<u>Fiscal Year</u> <u>Ending</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Swaps, Net</u>	
2007	\$ -	\$ 19,558	\$ (2,887)	\$ 16,671
2008	-	19,558	(2,887)	16,671
2009	-	19,558	(2,887)	16,671
2010	-	19,558	(2,887)	16,671
2011	-	19,558	(2,887)	16,671
2012-2016	10,710	97,579	(14,404)	93,885
2017-2021	41,950	93,095	(13,743)	121,302
2022-2026	227,320	69,732	(10,294)	286,758
2027-2031	210,190	21,305	(3,145)	228,350
Total	<u>\$ 490,170</u>	<u>\$ 379,501</u>	<u>\$ (56,021)</u>	<u>\$ 813,650</u>

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Credit Risk - As of June 30, 2006, 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' \$41.6 million fair value. As of June 30, 2006, the Counterparties were rated as follows by Moody's and S&P:

	<u>Moody's</u>	<u>S&P</u>
Goldman Sachs Mitsui Marine Derivative Products, L.P.	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, un-enhanced senior debt or long term deposits and none of such issues has at least two ratings of at least (i) "BAA1" 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 June 30, 2006 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>38,388</u>
Total revenue bonds	<u>2,556,943</u>

Other Debt:

Georgia Environmental Facilities Authority (GEFA) \$4,669 Loan, 3%, due serially through 2023	4,300
Georgia Environmental Facilities Authority (GEFA) \$19,006 Loan, 3.82%, due serially through 2035	<u>18,806</u>
	<u>23,106</u>
Less: Current maturities	<u>(546)</u>
Total other debt	22,560

Total Long Term Debt \$ 2,579,503

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

Department of Watershed Management

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 Interest Rate Swaps - 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 fixed-rate debt to variable-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.

Swap One - On March 5, 2001, the Department entered into an interest rate swap option agreement with UBS AG in which it agreed to essentially convert, at the financial institution's request, \$145,000,000 of the Department's Water and Wastewater Revenue Bonds, Series 1999, from 5% fixed rate bonds to floating rate bonds in which the interest rate is based on the BMA Municipal Swap Index. The option for conversion began in 2005. The Department will continue to service the debt at the fixed rate. For entering into this agreement, the Department received a nonrefundable \$2,700,000 commitment fee which has been deferred and is being amortized over the life of the agreement.

Swap Two - Also, on March 5, 2001, the Department entered into a similar interest rate swap option agreement with UBS AG in which it agreed to essentially convert, at UBS AG's request, \$71,850,000 of the Department's Water and Wastewater Revenue Bonds, Series 1999, from 5% fixed rate bonds to floating-rate bonds in which the interest rate is based on the BMA Municipal Swap Index. The option for conversion began in 2004 and the Department received a nonrefundable \$4,800,000 commitment fee which has been deferred and is being amortized over the life of the agreement.

Term - The swaps, with a total notional amount of \$216,850,000 became effective on May 1, 2005 and May 1, 2004 respectively. The notional amount decreases over time, matching the outstanding balance of the variable rate debt. The first notional decrease is November 1, 2023 and November 1, 2022 respectively, with the final maturity for both of November 1, 2038. Under the terms of the Swap One agreement, the Department will pay the Counterparty a variable interest rate equal to the BMA Municipal Swap Index. Under the terms of the Swap Two agreement, the Department will pay the Counterparties the greater of a variable annual interest rate equal to the BMA Municipal Swap Index less 6.56 basis points or the fixed rate (5.00%). The Department will receive from the Counterparties for both a fixed rate of 5.00%. As of June 30, 2006, rates were as follows:

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

1999 Swap One

	<u>Rates</u>
Interest rate swap:	
Fixed payment from counterparty	(5.00%)
Variable payment to counterparty	<u>3.97%</u>
Net interest rate swap payments (receipts)	(1.03%)
Fixed rate bond coupon payments	<u>5.00%</u>
Synthetic interest rate on bonds	<u>3.97%</u>

1999 Swap Two

	<u>Rates</u>
Interest rate swap:	
Fixed payment from counterparty	(5.00%)
Variable payment to counterparty	<u>5.00%</u>
Net interest rate swap payments (receipts)	<u>0.00%</u>
Fixed rate bond coupon payments	<u>5.00%</u>
Synthetic interest rate on bonds	<u>5.00%</u>

Fair Value – As of June 30, 2006, Swap One and Two had a negative fair value of \$1,478,000 and \$5,478,000 respectively, indicating the amount that the Department would be required to pay the counterparty to terminate the swap agreements.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Swap Payments and Associated Debt - As of June 30, 2006, debt service requirements of the fixed-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows (in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

1999 Series

Fiscal Year Ending	Fixed Rate Bonds		Interest Rate Swaps, Net	Total
	Principal	Interest		
2007	\$ 15,615	\$ 34,974	\$ (1,493)	\$ 49,096
2008	16,315	37,492	(1,493)	52,314
2009	17,110	36,687	(1,493)	52,304
2010	19,640	35,808	(1,493)	53,955
2011	20,560	34,799	(1,493)	53,866
2012-2016	120,640	155,498	(7,468)	268,670
2017-2021	157,200	117,829	(7,468)	267,561
2022-2026	114,455	75,612	(7,122)	182,945
2027-2031	79,115	54,540	(5,360)	128,295
2032-2036	100,965	32,315	(2,990)	130,290
2037-2038	73,520	6,339	(393)	79,466
Total	<u>\$ 735,135</u>	<u>\$ 621,893</u>	<u>\$ (38,266)</u>	<u>\$1,318,762</u>

Credit Risk - As of June 30, 2006, Swaps One and Two had a negative fair value of \$1,478,000 and \$5,478,000 respectively. The negative fair value is a result of changes in interest rate. As a result, the Department was not exposed to credit risks. However, should interest rates change and the fair market value of the swap become positive, the Department would be exposed to credit risk in the amount of the swap's fair value. As of June 30, 2006, the Counterparty was rated Aa2 and AA+ by Moody's and Standard and Poor's, respectively.

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Termination Risk - 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. In regard to Swap One, the Counterparty owns the right to cancel the agreement beginning November 1, 2009 and semi-annually thereafter. In regard to Swap Two, the Counterparty owns the right to cancel beginning March 5, 2011 and every 5 years thereafter. If the Swaps are terminated, the fixed rate bonds would no longer carry a synthetic variable 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.

Swaps Three and Four - On January 3, 2002, the Department entered into two interest rate swap agreements. These swap agreements are associated with the Department's Water and Wastewater Revenue Bonds Series 2001B and 2001 C with a notional amount of \$335,640,000 and \$105,705,000, respectively. The swap with the notional amount of \$335,640,000 became effective on January 3, 2002 and will mature on November 1, 2038, and the swap with the notional amount of \$105,705,000 became effective on January 3, 2002 and will mature on November 1, 2041.

Term - The swaps, with a total notional amount of \$441,345,000 became effective on January 3, 2002. The notional amount decreases over time, matching the outstanding balance of the variable rate debt. The first notional decrease is November 1, 2002 and November 1, 2040 respectively, with the final maturity of November 1, 2038 and November 1, 2041 respectively. Under the terms of both swap agreements, the Department will pay the Counterparties a fixed annual interest rate equal to 4.09%. Under the terms of the Swap Three agreement, the Department will receive from the Counterparty a variable interest rate equal to the lesser of the BMA Municipal Swap Index or the variable bond rate to May 1, 2009 and will receive 67% of one month LIBOR to the maturity date. Under the terms of the Swap Four agreement, the Department will receive from the Counterparty a variable interest rate equal to the BMA Municipal Swap Index.

As of June 30, 2006, the rates for the 2001B Bonds and Swap Three were as follows:

Interest rate swaps:	<u>Terms</u>	<u>Rates</u>
Fixed payment to counterparty	Fixed	4.09%
Variable payment from counterparty	BMA Municipal Swap Index	<u>(3.97%)</u>
Net interest rate swap payments (receipts)		<u>0.12%</u>
Variable rate bond coupon payments		<u>3.98%</u>
Synthetic interest rate on bonds		<u>4.10%</u>

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

As of June 30, 2006, the rates for the 2001C Bonds and Swap Four were as follows:

Interest rate swaps:	<u>Terms</u>	<u>Rates</u>
Fixed payment to counterparty	Fixed	4.09%
Variable payment from counterparty	BMA Municipal Swap Index	<u>(3.97%)</u>
Net interest rate swap payments (receipts)		<u>0.12%</u>
Variable rate bond coupon payments		<u>3.99%</u>
Synthetic interest rate on bonds		<u><u>4.11%</u></u>

Fair Value - As of June 30, 2006, the swaps with notional amounts of \$335,640,000 and \$105,705,000 had negative fair values of \$23,682,000 and \$570,000, respectively. The negative fair value is a result of changes in interest rate. As a result of the negative fair value, the Department was not exposed to credit risks. However, should interest rates change and the fair market value of the value of the swap become positive, the Department would be exposed to credit risk in the amount of the swap's fair value.

Swap Payments and Associated Debt - As of June 30, 2006, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows (in thousands). As rates vary, variable-rate bond interest payments and net swap payments will vary.

<u>Fiscal Year</u> <u>Ending</u>	<u>Variable Rate Bonds</u>		<u>Interest Rate</u> <u>Swaps, Net</u>	<u>Total</u>
	<u>Principal</u>	<u>Interest</u>		
2007	\$ 370	\$ 16,391	\$ 524	\$ 17,285
2008	385	17,868	523	18,776
2009	400	17,851	523	18,774
2010	420	17,835	523	18,778
2011	440	17,817	523	18,780
2012-2016	2,500	88,796	2,603	93,899
2017-2021	3,095	88,227	2,587	93,909
2022-2026	46,425	85,063	2,465	133,953
2027-2031	89,050	69,894	1,989	160,933
2032-2036	110,240	49,661	1,380	161,281
2037-2038	134,065	25,743	704	160,512
2042	50,000	1,351	20	51,371
Total	<u>\$ 437,390</u>	<u>\$ 496,497</u>	<u>\$ 14,364</u>	<u>\$ 948,251</u>

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Credit Risk - In each of these agreements the Department owes interest to the Counterparty calculated at an annual fixed rate of 4.09% on a notional amount equal to each Bond issue. The amortization terms of the agreement are consistent with the Series 2001B bonds and Series 2001C Bonds. For the Series 2001 C Bonds, the counterparty owes the Department interest at a variable rate based on the BMA Municipal Swap Index. For the Series 2001B Bonds, the counter party owes the Department interest at a variable rate based on the BMA Municipal Swap Index (not to exceed the interest amount payable during the same period to the holders for the Department's Series 2001B Bonds) through May 1, 2009 and thereafter based upon a percentage equal to 67% of the monthly LIBOR-BBA (U.S. Dollars)(LIBOR). As of June 30, 2006, the Counterparty was rated Aa2 and AA+ by Moody's and Standard and Poor's, respectively.

Basis risk - The interest rate swaps expose the Department to basis risk should the relationship between LIBOR and BMA Municipal Swap Index 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 swap agreement for the Series 2001B Bonds allows the counterparty to terminate the agreement by providing 30 days written notice if the arithmetic mean of the BMA Municipal Swap Index has exceeded 7% in the preceding 180 days. The swap agreement for the Series 2001C Bonds allows the Counterparty the one-time option to terminate on November 1, 2006 at no cost.

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

Notes to the Financial Statements – Continued

G. Long Term Obligations, continued

Sanitation Fund

State and federal laws and regulations require the City to place final covers on its four landfill sites when each site stops accepting waste and to perform certain maintenance and monitoring functions at the 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 remaining number of postclosure years, the City accrued a liability for those costs as the landfills were accepting waste. The \$31,099,000 reported as the landfill postclosure costs liability at June 30, 2006 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. During 1992 and again in 2002, DDA issued refunding bonds amounting to \$86,015,000 and \$71,625,000, respectively.

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

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

At June 30, 2006, the DDA had outstanding \$61,280,000 in aggregate principal.

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.

Notes to Financial Statements – Continued

G. Long Term Obligations, continued

Debt Service Requirements

The following summarizes the debt service requirements of long-term debt at June 30, 2006 (including unamortized bond premiums of \$1,325,000 for the Recreation Authority) (in thousands).

Year Ended June 30	Governmental Activities									
	General Obligations		Annual Bonds		SWMA Revenue Bonds		Limited Obligations		Certificates of Participation	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 13,185	\$ 11,667	\$ 2,170	\$ 1,836	\$ 975	\$ 1,149	\$ 4,625	\$ 19,605	\$ 9,593	\$ 8,175
2008	14,095	10,990	2,260	1,748	1,020	1,101	5,590	19,128	9,908	7,705
2009	15,050	10,297	1,920	1,670	1,070	1,051	9,205	18,750	10,233	7,218
2010	12,115	9,655	1,850	1,607	1,125	996	14,840	18,177	9,277	6,720
2011	12,230	4,680	1,935	1,544	1,180	938	17,595	17,442	7,650	6,275
2012-2016	59,610	19,387	8,630	6,782	6,850	3,710	98,370	74,461	36,245	25,805
2017-1021	75,935	11,342	9,205	5,382	8,775	1,732	121,995	49,553	25,505	17,528
2022-2026	44,190	2,168	9,485	3,151	2,040	54	123,050	18,316	23,645	11,584
2027-2031	-	-	-	-	-	-	20,500	2,978	36,218	3,952
	<u>\$ 246,410</u>	<u>\$ 80,186</u>	<u>\$ 37,455</u>	<u>\$ 23,720</u>	<u>\$ 23,035</u>	<u>\$ 10,731</u>	<u>\$ 415,770</u>	<u>\$ 238,410</u>	<u>\$ 168,274</u>	<u>\$ 94,962</u>

Year Ended June 30	Business-Type Activities						Component Units			
	Aviation		Watershed Management		Underground Atlanta		Recreation Authority		Development Authority	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 61,419	\$ 143,527	\$ 24,756	\$ 113,948	\$ 4,225	\$ 3,242	\$ 18,122	\$ 18,218	\$ 366	\$ 3,355
2008	67,900	140,931	25,741	122,889	4,445	3,005	8,150	17,846	410	3,337
2009	74,488	138,554	26,886	121,926	4,710	2,754	6,935	17,487	572	3,318
2010	78,180	136,453	30,007	120,432	4,995	2,488	7,325	17,092	691	3,287
2011	68,325	122,324	31,189	119,210	5,305	2,206	7,735	16,674	802	3,248
2012-2016	440,900	553,657	181,907	569,273	30,560	6,264	51,045	77,928	5,027	15,441
2017-2021	557,020	439,896	235,154	515,093	7,040	193	69,115	63,056	6,124	13,842
2022-2026	681,600	309,666	302,595	445,554	-	-	72,250	34,948	8,237	11,729
2027-2031	779,955	143,833	384,421	359,517	-	-	52,175	10,263	11,039	8,925
2032-2036	174,256	14,763	484,725	254,047	-	-	20,725	3,045	14,774	5,193
2037-2041	-	-	604,890	125,881	-	-	-	-	9,263	721
2042-2046	-	-	233,600	13,900	-	-	-	-	-	-
	<u>\$ 2,984,043</u>	<u>\$ 2,143,604</u>	<u>\$ 2,565,871</u>	<u>\$ 2,881,670</u>	<u>\$ 61,280</u>	<u>\$ 20,152</u>	<u>\$ 313,577</u>	<u>\$ 276,557</u>	<u>\$ 57,305</u>	<u>\$ 72,396</u>

Defeased Debt

The City has defeased various bond issues by creating separate irrevocable trust funds. New debt was issued and the proceeds were used to purchase U.S. government securities that were placed in 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 June 30, 2006, the City has \$186,000,000 in defeased Various Purpose General Obligation Bonds, \$518,315,000 in defeased Airport Extension and Improvement Bonds, and \$568,140,000 in defeased Water and Wastewater Revenue Bonds. At June 30, 2006, the unamortized losses on the defeased bonds were \$105,408,000 and \$35,374,000 for the Airport Extension and Improvement Bonds and the Water and Wastewater Revenue Bonds, respectively.

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 Aviation. Reserved Net Assets at June 30, 2006 are as follows (in thousands):

	<u>Department of Aviation</u>
Passenger & customer facility charges	\$523,735
Debt service and debt service reserve	<u>145,007</u>
Total	<u>\$668,742</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 June 30, 2006 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	\$ -	\$ 3,983	\$ 3,983
Accounts receivable	-	480	480
Commercial paper investments	-	21,741	21,741
Interest receivable	-	(1,087)	(1,087)
Passenger Facility Charges Fund:			
Investments	-	505,372	505,372
Cash	-	7,560	7,560
Accounts receivable	-	3,168	3,168
Interest receivable	-	3,101	3,101
Customer Facility Charge Fund:			
Investments	-	12,406	12,406
Cash	-	3,009	3,009
Accounts receivable	-	2,117	2,117
CONRAC and APM Funds:			
Investments	-	228,539	228,539
Construction Funds:			
Projects:			
Investments	793,851	1,128,026	1,921,877
Cash	-	63,960	63,960
Interest receivable	3,129	967	4,096
Debt reserve:			
Investments	149,101	-	149,101
Sinking Funds:			
Cash	12,909	13	12,922
Investments	68,334	127,288	195,622
Interest Receivable	940	-	940
Due from other funds	<u>8,811</u>	<u>-</u>	<u>8,811</u>
Total	<u>\$1,037,075</u>	<u>\$2,110,643</u>	<u>\$3,147,718</u>

Notes to the Financial Statements-Continued

IV. Other Information

A. Risk Management

General

The City purchases property insurance in the amount of \$200 million, subject to a \$250,000 deductible. This coverage protects City owned facilities for covered perils, such as fire, flood and earthquake. There is also a separate property insurance policy for the Airport with a limit of \$1 billion.

Insurance requirements are imposed on contractors and consultants, that do business with the City. They are generally asked to maintain certain types of insurance coverages including but not limited to General Liability, Workers' Compensation, Automobile Liability, Performance and Payment Bonds and Professional Liability.

There has not been any material change to the insurance coverages from the previous year. Settlement claims have not exceeded commercial coverage in any of the past three years.

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 2006 and 2005.

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 Spectra 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).

Notes to the Financial Statements-Continued

A. Risk Management, continued

Changes in the balances of claims liabilities for workers' compensation, health/dental insurance and general claims liabilities during the year ended December 31, 2005 and the six months ended June 30, 2006 were as follows (in thousands):

	<u>Beginning of period</u>	<u>Period claims and changes in estimates</u>	<u>Claim payments</u>	<u>End of period</u>
Workers' compensation:				
2005	\$ 32,436	13,226	(6,603)	39,059
2006	\$ 39,059	6,850	(2,041)	43,868
Health and Dental claims:				
2005	\$ -	36,277	(32,323)	3,954
2006	\$ 3,954	20,805	(20,388)	4,371
General claims liability:				
2005	\$ 15,699	1,763	(2,836)	14,626
2006	\$ 14,626	19,129	(4,695)	29,060

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 of the respective plans.

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continue

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 and retirees.

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 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 and certain non-classified employees pay grade 18 and below enrolled in the Defined Contribution Plan had a one-time option of transferring to the General Employee's Pension Plan. Classified employees and certain non-classified employees pay grade 18 and below 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.

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 the percentage increased from 2.0% to 2.5% for each year of service with no maximum years and for Firefighters the percentage increased from 2.0% to 3.0% for each year of service prior to March 31, 2001 plus 3% for each year of service subsequent to

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

March 31, 2001 with no maximum years based on ordinances approved by City Council on September 6, 2005 and signed by the Mayor on September 12, 2005.

Normal retirement, after 10 years of service (decreased from 15 years of service by City Council on September 6, 2005 and approved by the Mayor on September 12, 2005.), 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.

The 30 and out provision was approved for General employees by City Council on November 7, 2005 and approved by the Mayor on November 14, 2005. The same provision for Police was 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.

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 period 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 June 30, 2006 are as follows:

Total current period payroll	<u>\$76,839</u>	<u>\$26,377</u>	<u>\$41,314</u>	<u>\$144,530</u>
Total current period covered payroll	<u>\$71,673</u>	<u>\$23,694</u>	<u>\$39,911</u>	<u>\$135,278</u>

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

Funding Policy

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

The actuarially determined annual required contribution amount is the sum of the annual normal cost (determined under the entry age normal actuarial cost method) and the amortization of the unfunded actuarial accrued liability as a level percentage of future payrolls. For the six months ended June 30, 2006, the amortization period used in computing the annual required contribution was at a rate that approximated the 14 years remaining on the 40 year amortization adopted in 1978. The significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the actuarial accrued liability.

On September 6, 2005, the City Council passed an ordinance extending the amortization period from 14 years to 19 years which was signed by the Mayor on September 12, 2005.

The required contribution percentages, developed in the most recent (January 1, 2005) actuarial valuations for the plans, to cover pension liabilities and the actual 2006 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>
2006 actual employee contributions			
Dollar amount	\$3,175	\$ 1,826	\$ 2,651
Percent of covered payroll	4.4%	7.7%	6.6%
2006 actual City contributions			
Dollar amount	\$29,890	\$10,547	\$15,687
Percent of covered payroll	41.7%	44.5%	39.3%

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.

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

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 six months ended June 30, 2006 and each of the two preceding years were as follows (dollars in thousands).

<u>Plan/Period</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
General Employees			
2004 (Year Ended)	\$37,084	100%	\$ -
2005 (Year Ended)	51,773	100%	-
2006 (Six Months Ended)	29,799	100%	-
Firefighters			
2004 (Year Ended)	\$17,452	100%	\$ -
2005 (Year Ended)	14,040	100%	-
2006 (Six Months Ended)	8,120	100%	-
Police Officers			
2004 (Year Ended)	\$30,459	100%	\$ -
2005 (Year Ended)	25,271	100%	-
2006 (Six Months Ended)	15,221	100%	-

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, effective with the January 1, 2006 actuarial report is to be amortized over a period of 19 years as a level percentage of estimated future payroll, with a remaining amortization period of 17 years, in accordance with State of Georgia guidelines. (See comment above regarding approval of this change by the City Council). 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:

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

	<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%	2.5%
Merit or seniority and Productivity	.75 – 4.5%	4.5%	4.5%
Post-retirement benefit increases	3%	2.5%	2.5%

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 June 30, 2006:

	<u>General Employees</u>	<u>Firefighters</u>	<u>Police Officers</u>
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

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.

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

Effective September 1, 2005, classified employees and certain non-classified employees pay grade 18 and below then enrolled in the Defined Contribution Plan had the one-time option of transferring to the General Employee's Pension Plan. Classified employees and certain non-classified employees pay grade 18 and below, 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 June 30, 2006 there were 2,092 participants in the Defined Contribution Plan. The covered payroll for employees in the Plan was \$42,356,000. Employee contributions for the six months ended June 30, 2006 were \$2,524,000 and employer contributions were \$2,517,000 or 6% of covered payroll.

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.

Condensed financial statement information for the Defined Contribution Plan for the six months ended June 30, 2006 is shown below (in thousands):

Current assets:	
Investments	\$ 28,352
Total assets	<u>\$ 28,352</u>
Current liabilities:	
Accounts payable	15
Due to other funds	569
Total current liabilities	<u>\$ 584</u>
Additions:	
Employer contributions	2,517
Employee contributions	2,524
Refunds and other	87
Investment income (loss)	(128)
Total additions	<u>5,000</u>
Deductions:	
Administrative expenses	833
Total deductions:	<u>833</u>
Change in Net Assets held in trust for pension benefits	4,167
Net Assets held in trust for pension benefits:	
Beginning of period	<u>23,601</u>
End of period	<u>\$ 27,768</u>

Notes to the Financial Statements - Continued

B. Employee Retirement Systems and Pension Plans, continued

Postretirement Benefits

In accordance with a City ordinance, the City provides certain health/dental care for retired employees, their dependents, and their beneficiaries. The City also provides life insurance for retired employees and their dependents. These benefits are funded on a pay-as-you-go basis. Substantially all employees may become eligible for these benefits if they reach retirement age, as defined, or are totally disabled while working for the City. Currently, 4,411 retirees meet the eligibility requirements. The City contributes 79% of the premium cost for the median priced health care coverage, 75% of the premium cost for dental coverage and contributes \$3.68 per thousand of the premium cost for a retiree's life insurance coverage in amounts ranging from \$5,000 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 \$17,203,703 for the six months ended June 30, 2006. The City's contribution to this cost was \$13,932,807.

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.

Notes to the Financial Statements - Continued

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 June 30, 2006, the total estimated costs on committed projects are \$755,694,000 and \$133,883,000 for the Department of Aviation and Department of Watershed Management, respectively.

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 Water Reclamation Center (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. The Agreement with DeKalb County was

Notes to the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

amended June 9, 1987 to increase DeKalb County capacity in the Plant to 50 MGR which is 48.54% of the 103 MGD capacity.

In 1977 DeKalb County entered into an agreement for 2.62 MGD or 5.82% capacity rights in the South River WRC and 2.6 MGD or 12.38% capacity rights in the Intrinchment Creek WRC.

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, Intrinchment 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 six month period ended June 30, 2006 was \$7,984,000. 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. The improvement costs for the plants charged to the municipalities for the six month period ended June 30, 2006 amounted to \$13,535,000. 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 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 Environmental Protection Agency (EPA), and the State of Georgia, at the request of the Georgia Environmental Protection Division (EPD), also filed a complaint

Notes to the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

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, however, 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 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

Notes to the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

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, 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, of four years each, can be approved by a vote of City of Atlanta residents. Proceeds from the MOST for the six month ended June 30, 2006 were \$59,035,000 of which \$19,221,000 was receivable from the Georgia Department of Revenue at June 30, 2006.
- 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. For the six month period ended June 30, 2006, the City received no additional GEFA loans. At June 30, 2006, the City had \$23,106,000 of loans outstanding to GEFA.
- 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.

Notes to the Financial Statements - Continued

C. Commitments and Contingent Liabilities, continued

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 required 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 measuring one hundred feet from the top of the bank to be maintained in perpetuity in a natural state.

As of June 30, 2006, the City had acquired 1,100 acres of property and had spent \$18.8 million on development of the Greenway Plan.

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. These 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 2007-2014 CIP (In Millions)
Wastewater Projects:	
CSO Consent Decree	\$ 809
First Amended Decree	1,841
Regulatory	132
R&E Fund Projects	<u>164</u>
Subtotal	<u>2,946</u>
Water Projects:	
Consent Order	130
Non-Consent Order	<u>810</u>
Subtotal	<u>940</u>
Grand total	<u>\$ 3,886</u>

Notes to the Financial Statements - Continued

D. Subsequent Events

On July 17, 2006, the City Council approved the issuance of up to \$200 million in TAD Bonds and up to \$35 million in Bond Anticipation Notes for the Beltline TAD. Immediately following the approval of the legislation, a lawsuit was filed in Fulton County Superior Court challenging the Beltline TAD.

On July 20, 2006, the Downtown Development Authority of the City of Atlanta closed on the \$23,480,000 Revenue Bonds, Series 2006 A and 2006 B. The proceeds of the bonds will be used to construct a multi-story parking facility.

Attorneys practicing in the City of Atlanta brought a class action lawsuit challenging the constitutionality of the City's occupation tax on attorneys as a precondition on the practice of law. The Superior Court of Fulton County granted summary judgment in favor of the plaintiff attorneys. The city appealed and the Supreme Court affirmed the lower court's decision. Upon *remittitur*, the Superior Court of Fulton County entered an order on a motion for entry of partial money judgment denying judgment for class members that had not sought pre-litigation refunds, awarded attorney fees, and allowed attorneys to amend the class certification. Appeals were taken. The Court of Appeals affirmed the trial court ruling. The Supreme Court granted certiorari and reversed the Court of Appeals by holding that (1) class members who did not apply for refund of the tax prior to filing of the class action qualified for the refund, and (2) award of attorney fees from the fund as a whole was warranted.

Damages were originally estimated by the plaintiff attorneys to be in the area of \$19 million, but the City has paid slightly less than \$700,000. The Supreme Court ruling exposes the City of Atlanta to liability for refunds back to February of 1996. The total collections (including interest) which are subject to refund are estimated to be approximately \$16.9 million in the accompanying financial statements.

On October 19, 2006, the Atlanta Public Safety and Judicial Facilities Authority closed on the \$50,000,000 Revenue Bonds, Series 2006. The proceeds will be used to construct a public safety headquarters facility and parking deck.

In October 2006, the Department of Watershed Management notified the EPA and EPD that it was unable to meet one of the consent decree ordered timelines due to an equipment failure on a construction project. The Department of Watershed Management is subject to a monetary fine due to the missed timeline. However, based on discussions with the EPA and EPD, the Department of Watershed Management does not believe the fine will be imposed. Also, additional costs, on the same construction project, from the contractor's claim of changed conditions are possible. The Department of Watershed Management believes that if the contractor's claim is validated, the additional amount would not exceed the available allowances and contingencies.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

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%
01/01/05	783,446	1,724,147	45.4%	940,700	198,031	475.0%
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%
01/01/05	325,630	445,777	73.0%	120,147	38,774	309.9%
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	99.6%
01/01/05	444,460	658,861	67.5%	214,401	70,973	302.1%

The City uses the results of its actuarial valuations of its pension plans to determine contribution 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, effective with the January 1, 2006 actuarial report is to be amortized over a closed period of 45 years from January 1, 1979 with a remaining amortization period of 19 years, as a level percentage of estimated future payroll. On September 6, 2005, the City Council passed an ordinance amending the amortization period from 40 years to 45 years which was signed by the Mayor on September 12, 2005. 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%

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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
June 30, 2006
(In Thousands)

	Special Revenue Funds			
	Community Development	Inter - governmental Grants	Tax Allocation Districts	Other Special Revenue
ASSETS				
Cash	\$ 2,321	\$ 13,916	\$ 307	\$ 13,315
Investments in pooled investment fund	-	6,501	-	42,913
Investments	-	-	-	2,829
Receivables				
Taxes	-	-	-	-
Accounts	-	936	-	400
Other	-	321	-	-
Due from other governmental units and agencies	1,709	12,899	-	357
Due from other funds	393	2,876	8	1,001
Restricted investments	-	-	147,482	-
Investment in escrow	-	-	-	-
Other assets	-	-	44	-
Total assets	<u>\$ 4,423</u>	<u>\$ 37,449</u>	<u>\$ 147,841</u>	<u>\$ 60,815</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 896	\$ 4,446	\$ -	\$ 1,402
Accrued salaries, vacation, and compensatory pay	59	270	-	74
Contract retentions	210	460	-	-
Due to other governments	-	-	4,634	-
Due to other funds	1,223	36,239	9	2,202
Deferred revenues	-	2,805	-	-
Total liabilities	<u>2,388</u>	<u>44,220</u>	<u>4,643</u>	<u>3,678</u>
Fund balances:				
Reserved for:				
Encumbrances	2,282	13,073	-	5,616
Programs	-	-	121,617	51,521
Capital Projects	-	-	21,581	-
Unreserved	<u>(247)</u>	<u>(19,844)</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,035</u>	<u>(6,771)</u>	<u>143,198</u>	<u>57,137</u>
Total liabilities and fund balances	<u>\$ 4,423</u>	<u>\$ 37,449</u>	<u>\$ 147,841</u>	<u>\$ 60,815</u>

Capital Projects Funds				
Park Improvement	Special Assessment	General Governmental Capital Outlay	Solid Waste Management Authority	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 60	\$ 126	\$ 30,045
5,205	1,753	-	-	56,372
-	-	12,299	-	15,128
354	-	-	-	354
-	19	-	-	1,355
-	-	-	-	321
-	-	-	-	14,965
15	-	4,385	-	8,678
-	-	23,452	-	170,934
-	-	1	3,112	3,113
-	-	-	-	44
<u>\$ 5,574</u>	<u>\$ 1,772</u>	<u>\$ 40,197</u>	<u>\$ 3,238</u>	<u>\$ 301,309</u>
\$ 834	\$ -	\$ 369	\$ -	\$ 7,947
40	-	2	-	445
23	-	9	-	702
-	-	-	-	4,634
108	-	19,572	-	59,353
354	-	-	-	3,159
<u>1,359</u>	<u>-</u>	<u>19,952</u>	<u>-</u>	<u>76,240</u>
1,052	-	3,253	-	25,276
-	-	-	-	173,138
3,163	1,772	16,992	3,238	46,746
-	-	-	-	(20,091)
<u>4,215</u>	<u>1,772</u>	<u>20,245</u>	<u>3,238</u>	<u>225,069</u>
<u>\$ 5,574</u>	<u>\$ 1,772</u>	<u>\$ 40,197</u>	<u>\$ 3,238</u>	<u>\$ 301,309</u>

CITY OF ATLANTA, GEORGIA
Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Six Months Ended June 30, 2006
(In Thousands)

	Special Revenue Funds			
	Community Development	Inter - governmental Grants	Tax Allocation Districts	Other Special Revenue
Revenues:				
Property taxes	\$ -	\$ -	\$ 536	\$ -
Charges for current services	-	5,779	-	611
Charges for special assessments	-	-	-	-
Fines, forfeitures and penalties	-	-	-	1,572
Investment income	2	44	3,446	592
Intergovernmental revenues:				
U.S. Government grants	4,530	10,481	-	804
State and local governments	-	3,320	-	2,047
Total intergovernmental revenues	4,530	13,801	-	2,851
Other	77	1,073	-	2,796
Total revenues	4,609	20,697	3,982	8,422
Expenditures:				
Current:				
General government:				
Executive Offices	918	3,363	-	124
Personnel and human services	-	-	-	33
City Council	-	-	-	29
Nondepartmental	-	166	155,048	1,424
Courts and judicial agencies	-	133	-	137
Finance	540	35	-	138
Housing, planning and development	1,403	5,408	-	971
Law	8	-	-	-
Total general government	2,869	9,105	155,048	2,856
Police	-	14,724	-	1,136
Fire	-	1,580	-	45
Corrections	21	61	-	257
Public Works	134	3,438	-	438
Parks, Recreation, and Cultural Affairs	1,626	71	-	2,051
Debt service:				
Interest payments	-	-	6,127	278
Bond issuance costs	-	-	11,941	-
Total debt service	-	-	18,068	278
Total expenditures	4,650	28,979	173,116	7,061
Excess (Deficiency) of revenues over (under) expenditures	(41)	(8,282)	(169,134)	1,361
Other financing sources (uses):				
Transfers in (out)	-	297	(30,000)	18
Proceeds from long-term debt	-	-	187,515	-
Total other financing sources (uses)	-	297	157,515	18
Revenues and other sources over (under) expenditures and other uses	(41)	(7,985)	(11,619)	1,379
Fund balances, beginning of period	2,076	1,214	154,817	55,758
Fund balances, end of period	\$ 2,035	\$ (6,771)	\$ 143,198	\$ 57,137

Capital Projects Funds

	Park Improvement	Special Assessment	General Governmental Capital Outlay	Solid Waste Management Authority	Totals
\$	183	\$ -	\$ -	\$ -	\$ 719
	543	-	-	-	6,933
	-	103	2,302	-	2,405
	-	-	-	-	1,572
	118	15	491	61	4,769
	-	-	-	-	15,815
	-	-	-	-	5,367
	-	-	-	-	21,182
	-	-	2,331	-	6,277
	844	118	5,124	61	43,857
	-	-	-	-	4,405
	-	-	-	-	33
	-	-	-	-	29
	79	-	-	-	156,717
	-	-	-	-	270
	-	-	-	-	713
	-	-	58	-	7,840
	-	-	-	-	8
	79	-	58	-	170,015
	-	-	-	-	15,860
	-	-	5	-	1,630
	-	-	-	-	339
	-	-	1,070	-	5,080
	2,795	-	761	-	7,304
	2,048	-	-	-	8,453
	-	-	-	-	11,941
	2,048	-	-	-	20,394
	4,922	-	1,894	-	220,622
	(4,078)	118	3,230	61	(176,765)
	-	-	200	-	(29,485)
	-	-	1,746	-	189,261
	-	-	1,946	-	159,776
	(4,078)	118	5,176	61	(16,989)
	8,293	1,654	15,069	3,177	242,058
\$	4,215	\$ 1,772	\$ 20,245	\$ 3,238	\$ 225,069

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

Combining Balance Sheet
June 30, 2006
(In Thousands)

	Atlantic Station	Westside	Northwest Atlanta	Princeton Lake	Eastside	Total
ASSETS						
Cash	\$ 30	\$ 277	\$ -	\$ -	\$ -	\$ 307
Due from other funds	7	-	-	-	1	8
Restricted investments	21,500	58,532	1,845	19,319	46,286	147,482
Other assets	44	-	-	-	-	44
Total assets	<u>\$ 21,581</u>	<u>\$ 58,809</u>	<u>\$ 1,845</u>	<u>\$ 19,319</u>	<u>\$ 46,287</u>	<u>\$ 147,841</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Due to other governments	\$ -	\$ -	\$ -	\$ -	\$ 4,634	\$ 4,634
Due to other funds	-	-	9	-	-	9
Total liabilities	<u>-</u>	<u>-</u>	<u>9</u>	<u>-</u>	<u>4,634</u>	<u>4,643</u>
Fund balances:						
Reserved for:						
Programs	-	58,809	1,836	19,319	41,653	121,617
Capital Projects	21,581	-	-	-	-	21,581
Total fund balances	<u>21,581</u>	<u>58,809</u>	<u>1,836</u>	<u>19,319</u>	<u>41,653</u>	<u>143,198</u>
Total liabilities and fund balances	<u>\$ 21,581</u>	<u>\$ 58,809</u>	<u>\$ 1,845</u>	<u>\$ 19,319</u>	<u>\$ 46,287</u>	<u>\$ 147,841</u>

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

Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Six Months Ended June 30, 2006
(In Thousands)

	Atlantic Station	Westside	NW Atlanta	Princeton Lake	Eastside	Total
Revenues:						
Property taxes	\$ 82	\$ 258	\$ 125	\$ 71	\$ -	\$ 536
Investment income	531	1,488	39	16	1,372	3,446
Total revenues	<u>613</u>	<u>1,746</u>	<u>164</u>	<u>87</u>	<u>1,372</u>	<u>3,982</u>
Expenditures:						
Current:						
Nondepartmental	144,364	5,931	-	1,186	3,567	155,048
Total general government	<u>144,364</u>	<u>5,931</u>	<u>-</u>	<u>1,186</u>	<u>3,567</u>	<u>155,048</u>
Debt service:						
Interest payments	3,526	1,507	-	-	1,094	6,127
Bond issuance costs	11,308	-	-	630	3	11,941
Total debt service	<u>14,834</u>	<u>1,507</u>	<u>-</u>	<u>630</u>	<u>1,097</u>	<u>18,068</u>
Total expenditures	<u>159,198</u>	<u>7,438</u>	<u>-</u>	<u>1,816</u>	<u>4,664</u>	<u>173,116</u>
Excess (Deficiency) of revenues over (under) expenditures	(158,585)	(5,692)	164	(1,729)	(3,292)	(169,134)
Other financing sources (uses):						
Transfers in (out)	-	(30,000)	-	-	-	(30,000)
Proceeds from long-term debt	166,515	-	-	21,000	-	187,515
Total other financing sources	<u>166,515</u>	<u>(30,000)</u>	<u>-</u>	<u>21,000</u>	<u>-</u>	<u>157,515</u>
Revenues and other sources over (under) expenditures and other uses	7,930	(35,692)	164	19,271	(3,292)	(11,619)
Fund balances, beginning of period	13,651	94,501	1,672	48	44,945	154,817
Fund balances, end of period	<u>\$ 21,581</u>	<u>\$ 58,809</u>	<u>\$ 1,836</u>	<u>\$ 19,319</u>	<u>\$ 41,653</u>	<u>\$ 143,198</u>

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

	Community Development Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental revenues-				
U.S. government grants	\$ 14,496	\$ 23,512	\$ 2,129	\$ (21,383)
Other income	-	1,165	138	(1,027)
Total revenues	<u>14,496</u>	<u>24,677</u>	<u>2,267</u>	<u>(22,410)</u>
EXPENDITURES				
Current:				
General government:				
Executive offices	2,971	4,660	1,166	3,494
Finance	2,688	4,572	313	4,259
Planning and community development	6,718	9,704	1,127	8,577
Law	6	6	-	6
Total general government	<u>12,383</u>	<u>18,942</u>	<u>2,606</u>	<u>16,336</u>
Public safety:				
Fire	39	37	-	37
Corrections	101	161	16	145
Total public safety	<u>140</u>	<u>198</u>	<u>16</u>	<u>182</u>
Public works	279	279	29	250
Parks, recreation, and cultural affairs	4,570	5,340	1,567	3,773
Department of watershed management	136	336	98	238
Total expenditures	<u>17,508</u>	<u>25,095</u>	<u>4,316</u>	<u>20,779</u>
Excess (deficiency) of revenues over (under) expenditures	(3,012)	(418)	(2,049)	<u>\$ (1,631)</u>
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	2,045	
To record effect of net change in unrecorded liabilities	-	-	(37)	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(3,012)	(418)	(41)	
Fund balance - beginning	(77)	(77)	2,076	
Fund balance - ending	<u>\$ (3,089)</u>	<u>\$ (495)</u>	<u>\$ 2,035</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

	Intergovernmental Grant Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental revenues-				
U.S. Government grants	\$ 20	\$ 112	\$ 6,941	\$ 6,829
State of Georgia grants	13,926	20	2,367	2,347
Other income	275	13	7,428	7,415
Total revenues	<u>14,221</u>	<u>145</u>	<u>16,736</u>	<u>16,591</u>
EXPENDITURES				
Current:				
General government:				
Executive offices	14,161	18,784	2,876	15,908
Courts and judicial agencies	506	732	140	592
Finance	189	2,013	49	1,964
Planning and community development	12,795	78,398	4,547	73,851
Total general government	<u>27,651</u>	<u>99,927</u>	<u>7,612</u>	<u>92,315</u>
Public safety:				
Police	9,112	10,938	3,801	7,137
Fire	863	1,365	634	731
Corrections	190	190	61	129
Total public safety	<u>10,165</u>	<u>12,493</u>	<u>4,496</u>	<u>7,997</u>
Public works	17,027	18,027	2,866	15,161
Parks, recreation, and cultural affairs	2,515	2,515	201	2,314
Department of watershed management	99	99	-	99
Nondepartmental expenditures	69	9,648	232	9,416
Total expenditures	<u>57,526</u>	<u>142,709</u>	<u>15,407</u>	<u>127,302</u>
Excess (deficiency) of revenues over (under) expenditures	(43,305)	(142,564)	1,329	<u>\$ 143,893</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from general long-term debt				
Transfers in	-	-	297	
Total other financial sources and uses	<u>-</u>	<u>-</u>	<u>297</u>	
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(43,305)</u>	<u>(142,564)</u>	<u>1,626</u>	
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	3,961	
To record effect of net change in unrecorded liabilities	-	-	(13,572)	
			<u>(9,611)</u>	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(43,305)	(142,564)	(7,985)	
Fund balance - beginning	2,038	2,038	1,214	
Fund balance - ending	<u>\$ (41,267)</u>	<u>\$ (140,526)</u>	<u>\$ (6,771)</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

	Atlantic Station TAD Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ 2,761	\$ 2,761	\$ 75	\$ (2,686)
Miscellaneous				
Investment income	342	827	485	(342)
Total revenues	<u>3,103</u>	<u>3,588</u>	<u>560</u>	<u>(3,028)</u>
EXPENDITURES				
Current:				
Nondepartmental	19,375	348,225	160,383	187,842
Total expenditures	<u>19,375</u>	<u>348,225</u>	<u>160,383</u>	<u>187,842</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(16,272)</u>	<u>(344,637)</u>	<u>(159,823)</u>	<u>\$ 184,814</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Bonds	-	500,069	166,515	
Discount on bonds	-	(3,048)	(1,016)	
	<u>-</u>	<u>497,021</u>	<u>165,499</u>	
Excess (deficiency) of revenues over (under) expenditures	(16,272)	152,384	5,676	
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	53	
To record effect of net change in unrecorded liabilities	<u>-</u>	<u>-</u>	<u>2,201</u>	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(16,272)	152,384	7,930	
Fund balance - beginning	370	370	13,651	
Fund balance - ending	<u>\$ (15,902)</u>	<u>\$ 152,754</u>	<u>\$ 21,581</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

	Westside TAD			
	Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ 2,320	\$ 2,341	\$ 197	\$ (2,144)
Miscellaneous				
Investment income	36	-	1,488	1,488
Total Revenues	<u>2,356</u>	<u>2,341</u>	<u>1,685</u>	<u>(656)</u>
EXPENDITURES				
Current:				
Nondepartmental	99,336	99,889	7,931	91,958
Total expenditures	<u>99,336</u>	<u>99,889</u>	<u>7,931</u>	<u>91,958</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(96,980)</u>	<u>(97,548)</u>	<u>(6,246)</u>	\$ <u>91,302</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Bonds	82,565	-	-	
Transfer Out	-	(80,000)	(30,000)	\$ <u>50,000</u>
Total other financial sources and uses	<u>82,565</u>	<u>(80,000)</u>	<u>(30,000)</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(14,415)</u>	<u>(177,548)</u>	<u>(36,246)</u>	
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded	-	-	61	
To record effect of net change in unrecorded	-	-	493	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(14,415)	(177,548)	(35,692)	
Fund balance - beginning	(12)	(12)	94,501	
Fund balance - ending	<u>\$ (14,427)</u>	<u>\$ (177,560)</u>	<u>\$ 58,809</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 Six Months June 30, 2006
(In Thousands)

	NW Atlanta TAD Fund			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ -	\$ 99	\$ 99	\$ -
Miscellaneous				
Investment income	-	38	38	-
Total Revenues	-	137	137	-
EXPENDITURES				
Current:				
Nondepartmental	1,660	1,798	-	1,798
Total expenditures	1,660	1,798	-	1,798
Excess (deficiency) of revenues over (under) expenditures	(1,660)	(1,661)	137	\$ 1,798
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	27	
To record effect of net change in unrecorded liabilities	-	-	-	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(1,660)	(1,661)	164	
Fund balance - beginning	1,672	1,661	1,672	
Fund balance - ending	\$ 12	\$ -	\$ 1,836	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

Princeton Lakes TAD				
Fund				
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes				
Taxes, Current Property Increment	\$ -	\$ 71	\$ 71	\$ -
Miscellaneous				
Investment income		16	16	-
Total Revenues	-	87	87	-
EXPENDITURES				
Current:				
Nondepartmental	48	19,313	1,527	17,786
Total expenditures	48	19,313	1,527	17,786
Excess (deficiency) of revenues over under expenditures	(48)	(19,226)	(1,440)	\$ 17,786
OTHER FINANCING SOURCES (USES):				
Proceeds from Bonds	-	21,000	21,000	
Discount on sale of bonds	-	(289)	(289)	
Total other financial sources and uses	-	20,711	20,711	
Excess (deficiency) of revenues over (under) expenditures	(48)	1,485	19,271	
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	(48)	1,485	19,271	
Fund balance - beginning	48	135	48	
Fund balance - ending	\$ -	\$ 1,620	\$ 19,319	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

	Eastside 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	\$ 10	\$ 10	\$ -	\$ (10)
Miscellaneous				
Investment income	-	48,852	1,372	(47,480)
Total Revenues	<u>10</u>	<u>48,862</u>	<u>1,372</u>	<u>(47,490)</u>
EXPENDITURES				
Current:				
Nondepartmental	59,622	60,994	4,666	56,328
Total expenditures	<u>59,622</u>	<u>60,994</u>	<u>4,666</u>	<u>56,328</u>
Excess (deficiency) of revenues over under expenditures	<u>(59,612)</u>	<u>(12,132)</u>	<u>(3,294)</u>	<u>\$ 8,838</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Bonds	47,480	-	-	
Total other financial sources and uses	47,480	-	-	
Excess (deficiency) of revenues over (under) expenditures	(12,132)	(12,132)	(3,294)	
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded liabilities	-	-	2	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(12,132)	(12,132)	(3,292)	
Fund balance - beginning	(2)	12,132	44,945	
Fund balance - ending	<u>\$ (12,134)</u>	<u>\$ -</u>	<u>\$ 41,653</u>	

CITY OF ATLANTA, GEORGIA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

	Other Special Revenue			
	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental revenues-				
U.S. Government grants	\$ 14,856	\$ 14,856	\$ 740	\$ (14,116)
State of Georgia grants	4,311	4,311	94	(4,217)
Other income	10,789	10,789	8,867	(1,922)
Total revenues	<u>29,956</u>	<u>29,956</u>	<u>9,701</u>	<u>(20,255)</u>
EXPENDITURES				
Current:				
General government:				
Executive offices	1,653	1,653	102	1,551
Personnel and human resources	138	138	33	105
City council	82	82	24	58
Courts and judicial agencies	4,047	4,047	137	3,910
Finance	6,702	6,702	138	6,564
Planning and community development	32,582	32,582	1,299	31,283
Procurement	5	5	1	4
Law	22	22	-	22
Total general government	<u>45,231</u>	<u>45,231</u>	<u>1,734</u>	<u>43,497</u>
Public safety:				
Police	6,381	6,381	1,301	5,080
Fire	112	112	52	60
Corrections	5,217	5,217	286	4,931
Total public safety	<u>11,710</u>	<u>11,710</u>	<u>1,639</u>	<u>10,071</u>
Public works	5,992	5,992	224	5,768
Parks, recreation, and cultural affairs	10,134	10,134	1,708	8,426
Department of watershed management	573	573	84	489
Department of Administration	3	3	-	3
Nondepartmental expenditures	11,592	11,592	1,582	10,010
Total expenditures	<u>85,235</u>	<u>85,235</u>	<u>6,971</u>	<u>78,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(55,279)</u>	<u>(55,279)</u>	<u>2,730</u>	<u>\$ 58,009</u>
Other Financing Sources				
Transfer in	-	-	18	
Total other financial sources and uses	<u>-</u>	<u>-</u>	<u>18</u>	
Excess (deficiency) of revenues over (under) expenditures	<u>(55,279)</u>	<u>(55,279)</u>	<u>2,748</u>	
Reconciliation to GAAP basis:				
To record effect of net change in unrecorded assets	-	-	(1,279)	
To record effect of net change in unrecorded liabilities	<u>-</u>	<u>-</u>	<u>(90)</u>	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	<u>(55,279)</u>	<u>(55,279)</u>	<u>1,379</u>	
Fund balance - beginning	-	55,758	55,758	
Fund balance - ending	<u>\$ (55,279)</u>	<u>\$ 479</u>	<u>\$ 57,137</u>	

CITY OF ATLANTA, GEORGIA
Debt Service Fund
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Six Months Ended June 30, 2006
(In Thousands)

	Original Budgeted Amounts	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes				
Property taxes	\$ 7,017	\$ 2,318	\$ 2,318	\$ -
Miscellaneous Expenses				
Investment income	-	862	862	-
	7,017	3,180	3,180	-
Total revenues				
	7,017	3,180	3,180	-
EXPENDITURES				
Current:				
Nondepartmental	7,028	42,999	6,548	36,451
Total expenditures	7,028	42,999	6,548	36,451
Excess of revenues and other sources over (under) expenditures and other uses	(11)	(39,819)	(3,368)	\$ 36,451
Reconciliation to GAAP basis:				
To record effect of net changes in unrecorded assets	-	-	82	
Excess (deficiency) of revenues over (under) expenditures - GAAP basis	(11)	(39,819)	(3,286)	
Fund balance - beginning	-	39,819	39,818	
Fund balance - ending	\$ (11)	\$ -	\$ 36,532	

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 Proprietary Funds

Combining Statement of Net Assets
June 30, 2006
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ 943	\$ -	\$ -	\$ 943
Investments in Pooled Investment Fund	18,907	-	-	420	19,327
Receivables:					
Accounts	11,415	-	-	-	11,415
Less allowance for doubtful accounts	(10,301)	-	-	-	(10,301)
Total receivables	1,114	-	-	-	1,114
Due from other funds	619	34	14	12	679
Total current assets	20,640	977	14	432	22,063
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	28,728	3,210	12,669	-	44,607
Less accumulated depreciation	(19,845)	(5,934)	(51,315)	(3,245)	(80,339)
Property and equipment, net	16,429	4,035	40,796	1,460	62,720
Other assets	-	-	8,251	-	8,251
Total assets	\$ 37,069	\$ 5,012	\$ 49,061	\$ 1,892	\$ 93,034
LIABILITIES AND NET ASSETS					
Current liabilities:					
Accounts payable	\$ 2,142	\$ 29	\$ 312	\$ 157	\$ 2,640
Accrued salaries and vacation,	1,044	45	-	55	1,144
Current maturities of capital leases	1,134	-	-	-	1,134
Current maturities of long-term debt	-	-	4,225	-	4,225
Current portion of other long-term liabilities	4,062	-	-	-	4,062
Due to other funds	53,484	476	1,626	13	55,599
Total current liabilities	61,866	550	6,163	225	68,804
Long-term liabilities :					
Long-term debt, excluding current maturities shown above	-	-	57,055	-	57,055
Accrued workers' compensation	9,832	-	-	-	9,832
Landfill postclosure costs	29,950	-	-	-	29,950
Total long-term liabilities	39,782	-	57,055	-	96,837
Total liabilities	101,648	550	63,218	225	165,641
Net Assets:					
Investment in capital assets, net of related debt	16,429	4,035	(16,259)	1,460	5,665
Unreserved (deficit)	(81,008)	427	2,102	207	(78,272)
Total net assets (deficit)	(64,579)	4,462	(14,157)	1,667	(72,607)
Total liabilities and net assets	\$ 37,069	\$ 5,012	\$ 49,061	\$ 1,892	\$ 93,034

CITY OF ATLANTA, GEORGIA
Nonmajor Proprietary Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets
For the Six Months Ended June 30, 2006
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Total
Operating revenues:					
Charges for services	\$ 663	\$ 376	\$ -	\$ 131	\$ 1,170
Rentals, admissions, and concessions	-	10	1,507	832	2,349
Total operating revenues	663	386	1,507	963	3,519
Operating expenses:					
Salaries and employee benefits	10,051	276	-	394	10,721
Utilities	47	25	38	165	275
Materials and supplies	248	6	-	46	300
Repairs, maintenance, and other contractual services	556	69	550	198	1,373
Motor equipment service	3,665	1	-	2	3,668
Engineering and consultant fees	4,127	-	679	1	4,807
General services	203	109	4	10	326
Program services and other	3,024	1	47	2	3,074
Total operating expenses	21,921	487	1,318	818	24,544
Operating income (loss) before depreciation/amortization	(21,258)	(101)	189	145	(21,025)
Depreciation and amortization	752	156	2,272	47	3,227
Operating income (loss)	(22,010)	(257)	(2,083)	98	(24,252)
Nonoperating revenues (expenses):					
Interest expense	(1,622)	(4)	(1,835)	1	(3,460)
Investment income (loss)	3	14	-	4	21
Total nonoperating revenues (expenses)	(1,619)	10	(1,835)	5	(3,439)
Income (loss) before transfers	(23,629)	(247)	(3,918)	103	(27,691)
Transfers in	5	-	-	-	5
Net income (loss)	(23,624)	(247)	(3,918)	103	(27,686)
Net assets (deficit), beginning of period	(40,955)	4,709	(10,239)	1,564	(44,921)
Net assets (deficit), end of period	\$ (64,579)	\$ 4,462	\$ (14,157)	\$ 1,667	\$ (72,607)

CITY OF ATLANTA, GEORGIA
Nonmajor Proprietary Funds

Combining Statement of Cash Flows
For the Six Months Ended June 30, 2006
(In Thousands)

	Sanitation	Parks and Recreational Facilities	Underground Atlanta	Civic Center	Total
Cash flow from operating activities					
Cash received from user charges	\$ 6,232	\$ 357	\$ 1,507	\$ 944	\$ 9,040
Cash payments to employees for services	(9,179)	(329)	-	(393)	(9,901)
Cash payments to suppliers for goods and services	<u>(13,036)</u>	<u>(215)</u>	<u>(1,326)</u>	<u>(342)</u>	<u>(14,919)</u>
Net cash provided by (used in) operating activities	<u>(15,983)</u>	<u>(187)</u>	<u>181</u>	<u>209</u>	<u>(15,780)</u>
Cash flows from noncapital financing activities					
Transfers in	<u>5</u>	-	-	-	<u>5</u>
Net cash provided by (used in) noncapital financing activities	<u>5</u>	-	-	-	<u>5</u>
Cash flows from capital and related financing activities					
Principal paid on bonds	(381)	-	-	-	(381)
Interest paid on bonds	(1,622)	(4)	(1,835)	1	(3,460)
Acquisition of capital assets	<u>(26)</u>	-	-	-	<u>(26)</u>
Net cash provided by (used in) capital and related financing activities	<u>(2,029)</u>	<u>(4)</u>	<u>(1,835)</u>	<u>1</u>	<u>(3,867)</u>
Cash flows from investing activities					
Net change in investment in pooled funds	18,004	464	1,654	(214)	19,908
Interest on investments	<u>3</u>	<u>14</u>	-	<u>4</u>	<u>21</u>
Net cash provided by (used in) investing activities	<u>18,007</u>	<u>478</u>	<u>1,654</u>	<u>(210)</u>	<u>19,929</u>
Net increase (decrease) in cash and cash equivalents	<u>-</u>	<u>287</u>	<u>-</u>	<u>-</u>	<u>287</u>
Cash and cash equivalents, beginning of period	<u>-</u>	<u>656</u>	<u>-</u>	<u>-</u>	<u>656</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>-</u>	<u>\$ 943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 943</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (22,010)	\$ (257)	\$ (2,083)	\$ 98	\$ (24,252)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and depreciation	752	156	2,272	47	3,227
Increase (decrease) in receivables	3,739	-	-	-	3,739
Increase (decrease) in accounts payable	(1,165)	(4)	(8)	82	(1,095)
Increase (decrease) in other liabilities	871	(53)	-	1	819
Increase (decrease) in due to other funds	<u>1,830</u>	<u>(29)</u>	<u>-</u>	<u>(19)</u>	<u>1,782</u>
Net cash provided by (used in) operating activities	<u>\$ (15,983)</u>	<u>\$ (187)</u>	<u>\$ 181</u>	<u>\$ 209</u>	<u>\$ (15,780)</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
June 30, 2006
(In Thousands)

	Pension Trust Funds				Totals
	General Employees' Defined Benefit	General Employees' Defined Contribution	Firefighters'	Police Officers'	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 51,215	\$ -	\$ 42,116	\$ 19,884	\$ 113,215
Investments:					
Equities	376,551	28,352	193,149	299,441	897,493
U. S. government and agency obligations	213,687	-	112,921	184,115	510,723
Corporate bonds	91,181	-	41,368	28,018	160,567
Other	60,309	-	-	-	60,309
Total Investments	<u>741,728</u>	<u>28,352</u>	<u>347,438</u>	<u>511,574</u>	<u>1,629,092</u>
Securities lending collateral investment pool	153,364	-	60,831	58,657	272,852
Due from brokers for securities sold	15,068	-	2,834	5,531	23,433
Other receivables	5,199	-	1,662	1,944	8,805
Due from other funds	<u>10,054</u>	<u>-</u>	<u>4,273</u>	<u>13,131</u>	<u>27,458</u>
 Total assets	 <u>\$ 976,628</u>	 <u>\$ 28,352</u>	 <u>\$ 459,154</u>	 <u>\$ 610,721</u>	 <u>\$ 2,074,855</u>
LIABILITIES AND NET ASSETS HELD IN TRUST FOR PENSION BENEFITS					
Current liabilities:					
Accounts payable	\$ 1,093	\$ 15	\$ -	\$ 208	\$ 1,316
Due to brokers for securities purchased	30,156	-	25,421	17,134	72,711
Due to other funds	17,148	569	580	190	18,487
Liability for securities lending agreement	<u>153,363</u>	<u>-</u>	<u>60,831</u>	<u>58,657</u>	<u>272,851</u>
Total current liabilities	<u>201,760</u>	<u>584</u>	<u>86,832</u>	<u>76,189</u>	<u>365,365</u>
Net Assets Held in Trust for Pension Benefits:	<u>\$ 774,868</u>	<u>\$ 27,768</u>	<u>\$ 372,322</u>	<u>\$ 534,532</u>	<u>\$ 1,709,490</u>

CITY OF ATLANTA, GEORGIA
Pension Trust Funds

Combining Statement of Changes in Plan Net Assets
For the Six Months Ended June 30, 2006
(In Thousands)

	Pension Trust Funds				Totals
	General Employees' Defined Benefit	General Employees' Defined Contribution	Firefighters'	Police Officers'	
Additions:					
Employer contributions	\$ 29,890	\$ 2,517	\$ 10,547	\$ 15,687	\$ 58,641
Employee contributions	3,175	2,524	1,826	2,651	10,176
Refunds and other	153	87	-	-	240
Investment income:					
Net appreciation in fair value of investments	(9,108)	(440)	4,731	9,336	4,519
Investment income	11,112	312	5,495	4,213	21,132
Securities lending income	82	-	89	-	171
Less: Investment expenses	(1,613)	-	(591)	(1,000)	(3,204)
Net investment income	473	(128)	9,724	12,549	22,618
Total additions	33,691	5,000	22,097	30,887	91,675
Deductions:					
Benefit payments	33,009	-	12,686	18,142	63,837
Refunds	1,196	-	44	111	1,351
Administrative expenses	487	833	1,175	970	3,465
Total deductions	34,692	833	13,905	19,223	68,653
Net increase in net assets held in trust for pension benefits	(1,001)	4,167	8,192	11,664	23,022
Net assets held in trust for pension benefits:					
Beginning of period	775,869	23,601	364,130	522,868	1,686,468
End of period	<u>\$ 774,868</u>	<u>\$ 27,768</u>	<u>\$ 372,322</u>	<u>\$ 534,532</u>	<u>\$ 1,709,490</u>

CITY OF ATLANTA, GEORGIA
Agency Fund

Statement of Changes in Assets and Liabilities
For the Six Months Ended June 30, 2006
(In Thousands)

ASSETS				
	Balance, Beginning of Period	Additions	Deductions	Balance, End of Period
Assets:				
Cash and cash equivalents	\$ 703	1	-	\$ 704
Investments in pooled investment fund	10,686	25,989	(14,913)	21,762
Investments:				
Equities	41	13	-	54
Total Investments	41	13	-	54
Total Assets	\$ 11,430	\$ 26,003	\$ (14,913)	\$ 22,520
LIABILITIES				
Liabilities:				
Accounts payable	\$ 11,430	\$ 26,003	\$ (14,913)	\$ 22,520
Total Liabilities	\$ 11,430	\$ 26,003	\$ (14,913)	\$ 22,520

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Statistical Section

(Unaudited)

Cash Basis

(unless otherwise noted)

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
Statistical Section**

Contents

Financial Trends (Schedule 1 through 5)

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

Revenue Capacity (Schedule 6 through 12)

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

Debt Capacity (Schedule 13 through 17)

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

Demographic and Economic Information (Schedule 18 through 19)

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

Operating Information (Schedule 20 through 22)

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

Sources

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Schedule 1
City of Atlanta, Georgia
Net Assets by Component
Last Five Periods
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Period				
	2002	2003	2004	2005	2006
Governmental activities					
Invested in capital assets, net of related debt	\$ 521,789	\$ 712,791	\$ 541,003	\$ 543,166	\$ 482,373
Restricted for					
Debt service	21,863	27,470	37,556	39,818	36,532
Programs	122,999	74,521	69,511	207,039	173,138
Capital projects	104,291	97,799	139,431	104,529	127,021
Unrestricted	(84,288)	(41,942)	(26,666)	(159,662)	(199,434)
Total governmental activities net assets	<u>\$ 686,654</u>	<u>\$ 870,639</u>	<u>\$ 760,835</u>	<u>\$ 734,890</u>	<u>\$ 619,630</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 1,900,982	\$ 2,638,247	\$ 2,826,354	\$ 3,237,337	\$ 3,177,702
Restricted					
Debt service	4,549	(8,041)	528,879	76,817	104,864
Capital projects	700,154	429,754	-	565,012	565,012
Unrestricted	453,896	333,029	329,966	373,465	612,037
Total business-type activities net assets	<u>\$ 3,059,581</u>	<u>\$ 3,392,989</u>	<u>\$ 3,685,199</u>	<u>\$ 4,252,631</u>	<u>\$ 4,459,615</u>
Primary government					
Invested in capital assets, net of related debt	\$ 2,422,771	\$ 3,351,038	\$ 3,367,357	\$ 3,780,503	\$ 3,660,075
Restricted					
Debt service	26,412	19,429	566,435	116,635	141,396
Programs	122,999	74,521	69,511	207,039	173,138
Capital projects	804,445	527,553	139,431	669,541	692,033
Unrestricted	369,608	291,087	303,300	213,803	412,603
Total primary government activities net assets	<u>\$ 3,746,235</u>	<u>\$ 4,263,628</u>	<u>\$ 4,446,034</u>	<u>\$ 4,987,521</u>	<u>\$ 5,079,245</u>

Schedule 2
City of Atlanta, Georgia
Changes in Net Assets
Last Five Fiscal Periods
(accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Period				
	2002	2003	2004	2005	2006
Expenses					
Governmental activities					
General government	\$ 189,386	\$ 169,284	\$ 167,074	\$ 207,529	\$ 113,068
Police	140,204	133,349	134,950	150,007	97,514
Fire	65,275	66,354	63,714	69,425	35,715
Corrections	37,627	32,245	35,107	39,028	20,921
Public works	65,136	63,336	68,675	81,954	45,231
Parks, recreation and cultural affairs	31,527	30,062	32,739	37,611	10,768
Interest on long-term debt	25,602	22,709	22,101	33,429	19,546
Total governmental activities expenses	<u>554,757</u>	<u>517,339</u>	<u>524,360</u>	<u>618,983</u>	<u>342,763</u>
Business-type activities					
Watershed Management	233,704	233,542	228,554	232,514	140,848
Aviation	233,459	240,687	303,703	230,933	126,399
Other	52,080	55,478	60,828	60,064	31,500
Total business-type activities expenses	<u>519,243</u>	<u>529,707</u>	<u>593,085</u>	<u>523,511</u>	<u>298,747</u>
Total primary government expenses	<u>\$ 1,074,000</u>	<u>\$ 1,047,046</u>	<u>\$ 1,117,445</u>	<u>\$ 1,142,494</u>	<u>\$ 641,510</u>
Program Revenues					
Governmental activities					
Charges for services					
General government	\$ 36,528	\$ 38,326	\$ 77,014	\$ 77,279	\$ 72,668
Public safety	20,823	21,850	27,619	32,311	1,747
Public works	4,203	4,410	3,876	5,084	2,857
Parks recreation and cultural affairs	1,500	1,574	1,622	2,431	568
Operating grants and contributions	55,071	30,933	48,194	51,365	21,182
Total governmental activities program revenues	<u>118,125</u>	<u>97,093</u>	<u>158,325</u>	<u>168,470</u>	<u>99,022</u>
Business-type activities					
Charges for services					
Watershed Management	202,729	206,343	252,007	242,573	113,377
Aviation	244,997	247,845	273,575	289,478	147,221
Other	54,270	41,250	51,756	53,736	3,519
Capital grants and contributions	197,531	283,779	229,610	254,797	141,741
Total business-type activities revenues	<u>699,527</u>	<u>779,217</u>	<u>806,948</u>	<u>840,584</u>	<u>405,858</u>
Total primary government revenues	<u>817,652</u>	<u>876,310</u>	<u>965,273</u>	<u>1,009,054</u>	<u>504,880</u>
Net (expense) revenue					
Governmental activities	(436,632)	(420,246)	(366,035)	(450,513)	(243,741)
Business-type activities	180,284	249,510	213,863	317,073	107,111
Total primary government net expense	<u>(256,348)</u>	<u>(170,736)</u>	<u>(152,172)</u>	<u>(133,440)</u>	<u>(136,630)</u>
General revenues and other changes in net assets					
Governmental activities					
Taxes					
Property taxes levied for general purposes	183,604	194,935	198,875	127,738	8,739
Property taxes levied for debt service	-	-	-	54,278	1,522
Local option sales tax	94,773	101,218	83,518	90,488	50,460
Public utilities franchise taxes	47,300	42,350	46,809	37,534	8,488
Business taxes	106,656	113,092	38,262	79,571	38,234
Federal and state aid not restricted for specific purposes	538	537	542	4,723	334
Investment income	10,348	7,904	5,022	13,171	9,312
Other	14,106	22,330	9,657	21,814	11,398
Transfers	(6,682)	(7,023)	4,208	2,349	(5)
Total governmental activities	<u>450,643</u>	<u>475,343</u>	<u>386,893</u>	<u>431,666</u>	<u>128,482</u>
Business-type activities					
Property taxes levied for debt service	-	-	20,449	-	-
Local option sales tax	-	-	-	102,171	59,035
Investment income	85,392	86,905	44,452	145,900	40,831
Transfers	6,682	7,023	(4,208)	(2,349)	5
Total business-type activities	<u>92,074</u>	<u>93,928</u>	<u>60,693</u>	<u>245,722</u>	<u>99,871</u>
Total primary government	<u>542,717</u>	<u>569,271</u>	<u>447,586</u>	<u>677,388</u>	<u>228,353</u>
Change in net assets					
Governmental activities	14,011	55,097	20,858	(18,847)	(115,259)
Business-type activities	272,358	343,438	274,556	562,795	206,982
Total primary government	<u>\$ 286,369</u>	<u>\$ 398,535</u>	<u>\$ 295,414</u>	<u>\$ 543,948</u>	<u>\$ 91,723</u>

Schedule 3
City of Atlanta, Georgia
Program Revenues by Function/Program
Last Five Fiscal Periods
(accrual basis of accounting)

Function/Program	Program Revenues				
	2002	2003	2004	2005	2006
Primary Government					
Governmental activities:					
Charges for Services					
General government	\$ 36,528	\$ 38,326	\$ 77,014	\$ 77,279	\$ 72,668
Police	14,920	15,655	19,135	22,417	1,374
Fire	43	46	416	346	1
Corrections	5,860	6,149	8,068	9,548	372
Public works	4,203	4,410	3,876	5,084	2,857
Parks, Recreation, and Cultural Affairs	1,501	1,574	1,622	2,431	568
Total Governmental activities	<u>63,055</u>	<u>66,160</u>	<u>110,131</u>	<u>117,105</u>	<u>77,840</u>
Operating grants	\$ 55,071	\$ 30,933	\$ 48,194	\$ 51,365	\$ 21,182
Business-type activities:					
Charges for Services					
Watershed Management	\$ 202,729	\$ 206,343	\$ 252,007	\$ 242,573	\$ 113,377
Aviation	244,997	247,845	273,575	289,478	147,221
Other**	54,270	41,250	-	-	-
Sanitation**	-	-	47,219	49,351	663
Parks and Recreation Facilities**	-	-	539	564	386
Underground Atlanta**	-	-	2,651	2,414	1,507
Civic Center**	-	-	1,347	1,407	963
Total Business-type activities	<u>501,996</u>	<u>495,438</u>	<u>577,338</u>	<u>585,787</u>	<u>264,117</u>
Total Primary Government	\$ <u>620,122</u>	\$ <u>592,531</u>	\$ <u>735,663</u>	\$ <u>754,257</u>	\$ <u>363,139</u>

Notes: * The City changed its year-end from 12/31 to 06/30, therefore 2006 revenue shown is for 6 months only

**Prior to 2004, non-major Business-type activities were classified as "Other".

Schedule 4
City of Atlanta, Georgia
Fund Balances, Governmental Funds
Last Five Fiscal Periods
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Period				
	2002	2003	2004	2005*	2006
General Fund					
Reserved	\$ 24,002	\$ 6,433	\$ 6,353	\$ 5,783	\$ 7,602
Unreserved	50,380	96,504	151,349	140,193	92,947
Total general fund	<u>74,382</u>	<u>102,937</u>	<u>157,702</u>	<u>145,976</u>	<u>100,549</u>
Capital Projects Fund					
Reserved	\$ -	\$ -	\$ -	\$ 95,129	\$ 47,397
Total capital projects fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>95,129</u>	<u>47,397</u>
Debt Service Fund					
Reserved	\$ -	\$ -	\$ -	\$ 39,818	\$ 36,532
Total debt service fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,818</u>	<u>36,532</u>
All other governmental funds					
Reserved	263,874	218,285	285,892	251,298	245,160
Unreserved, reported in Special revenue funds	-	-	(21,416)	(9,240)	(9,240)
Total all other governmental funds	<u>263,874</u>	<u>218,285</u>	<u>264,476</u>	<u>242,058</u>	<u>235,920</u>

* Prior to 2005, the General Fund was considered the only major governmental fund. The capital projects fund and the debt service fund were included in all other governmental funds.

Schedule 5
City of Atlanta, Georgia
Changes in Fund Balances, Governmental Funds
Last Five Fiscal Periods
(modified accrual basis of accounting)
(amounts expressed in thousands)

	Fiscal Period				
	2002	2003	2004	2005	2006
Revenues					
Property taxes	\$ 182,035	\$ 193,244	\$ 192,927	\$ 179,685	\$ 10,261
Local option sales taxes	94,773	94,374	83,518	90,488	50,460
Public utility, alcoholic beverages and other taxes	113,625	100,347	106,449	122,015	8,488
Licenses and permits	52,403	50,516	54,327	58,285	38,234
Charges for current services	24,060	23,951	24,761	21,576	65,235
Fines, forfeitures and penalties	20,390	19,908	18,504	17,895	6,727
Investment income	10,301	7,917	4,934	12,926	9,312
Intergovernmental revenues and contributions					
Federal revenues	39,201	23,067	31,659	30,480	334
State and local grants and contributions	16,408	4,181	16,991	20,500	21,182
Other	-	-	542	4,723	-
Building rentals and contributions	8,552	6,981	10,394	11,339	5,877
Other	14,106	22,330	9,657	26,584	11,398
Total revenues	<u>575,854</u>	<u>546,816</u>	<u>554,663</u>	<u>596,496</u>	<u>227,508</u>
Expenditures					
Current					
General government	175,110	163,041	173,027	231,207	113,068
Police	123,021	124,811	142,958	149,450	97,514
Fire	54,677	61,473	61,011	67,486	35,715
Corrections	34,591	31,111	35,283	38,678	20,921
Public works	26,369	25,989	34,506	59,679	45,231
Parks, recreation and cultural affairs	26,436	26,766	33,006	42,764	10,768
Capital outlay	56,335	68,164	15,330	-	-
Debt service					
Principal	26,672	27,567	13,348	26,573	-
Interest	25,602	22,709	25,646	32,706	19,546
Bond issuance costs	(599)	137	31	723	-
Total expenditures	<u>548,214</u>	<u>551,768</u>	<u>534,146</u>	<u>649,266</u>	<u>342,763</u>
Excess of revenues over (under) expenditures	27,640	(4,952)	20,517	(52,770)	(115,255)
Other Financing Sources (Uses)					
Proceeds from borrowing	76,840	12,001	58,553	145,809	-
Capital leases	-	-	-	7,097	-
Premium on bonds sold	-	-	3,576	6,221	-
Discount on bonds sold	-	-	-	(1,581)	-
Refunding bonds issued	-	-	-	85,980	-
Payment to refunded bond escrow agent	-	-	-	(85,605)	-
Sale of asset	-	-	-	1,600	-
Transfers in (out)	(6,682)	(7,013)	3,322	1,149	(5)
Total other financing sources (uses)	<u>70,158</u>	<u>4,988</u>	<u>65,451</u>	<u>160,670</u>	<u>(5)</u>
Correction of a prior year error	-	(17,069)	14,988	(6,108)	-
Net change in fund balances	<u>\$ 97,798</u>	<u>\$ (17,033)</u>	<u>\$ 100,956</u>	<u>\$ 101,792</u>	<u>\$ (115,260)</u>
Debt service as a percentage of noncapital expenditures	11.7%	11.6%	8.1%	10.2%	6.0%

Schedule 6
City of Atlanta, Georgia
Assessed Value and Estimated Actual Value of Taxable Property
Last Five Fiscal Periods
(amounts expressed in thousands)

Fiscal Period Ended	Residential Property	Commercial Property	Industrial Property	Other Property¹	Less Tax-exempt Property²	Total Taxable Assessed Value	Total Direct Tax Rate
December 31, 2002	\$ 8,567,121,679	\$ 6,901,913,667	\$ 366,881,480	\$ 1,662,085,635	\$ 188,994,248	\$ 15,646,922,578	\$ 32.64
December 31, 2003	9,578,478,978	7,104,858,403	323,814,720	1,590,030,109	160,151,146	16,847,000,955	32.08
December 31, 2004	10,282,698,452	7,433,699,007	308,725,135	1,626,457,946	1,732,722,383	16,292,400,211	31.00
December 31, 2005	10,842,205,309	7,255,025,020	618,322,584	1,590,005,363	186,756,118	18,528,796,795	30.09
June 30, 2006 (3)	-	-	-	-	-	-	-

Notes:

- (1) Other Property consist of Historical, Agricultural, Conservation, Utility, Motor Vehicle, Heavy Equipment, Timber, Mobile Homes, etc... .
- (2) Tax Exempt Property consist of Basic Homestead, Elderly, Disabled Veteran, Freeport, etc... .
- (3) Information not available - See Footnote III B - Property Taxes

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

Schedule 7
City of Atlanta, Georgia
Direct and Overlapping Property Tax Rates
Last Five Fiscal Periods
(per \$1,000 of assessed value)

Fiscal Period Ended	City Direct Rates					School Bond Levy	Total Direct Tax Rate
	General Levy	School Levy	Parks Levy	City Bond Levy			
December 31, 2002	\$ 9.02	\$ 21.67	\$ 0.50	\$ 1.34	\$ 0.11	\$ 32.64	
December 31, 2003	8.71	21.46	0.50	1.30	0.11	32.08	
December 31, 2004	8.25	20.87	0.50	1.27	0.11	31.00	
December 31, 2005	7.64	20.42	0.50	1.43	0.10	30.09	
June 30, 2006 (2)							

Fiscal Period Ended	Overlapping Rates					
	Atlanta/DeKalb County Special Tax District	Downtown Improvement District Special Tax District ⁽¹⁾	Fulton County, Georgia			Total
			County Levy	County Bond Levy	Georgia State Levy	
December 31, 2002	\$ 1.30	\$ 2.50	\$ 12.53	\$ 0.28	\$ 0.25	\$ 13.06
December 31, 2003	1.14	3.60	12.05	0.27	0.25	12.57
December 31, 2004	1.05	4.20	11.59	0.07	0.25	11.91
December 31, 2005	2.05	5.00	11.58	0.06	0.25	11.89
June 30, 2006 (2)						

Notes:

- (1) Tax imposed by property owners in the district pursuant to state authorization.
- (2) Information not available - See Footnote III B - Property Taxes

Schedule 8
City of Atlanta, Georgia
Principal Property Tax Payers
Last Ten Fiscal Periods

Taxpayer	Type of Business	1996			1997			1998			1999		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Bell South	Communication Service	\$ 261,064,366	1	2.47%	272,707,161	1	2.52%	269,905,055	1	2.21%	312,435,314	1	2.42%
Coca-Cola Company	Marketing and Manufacturing	135,184,480	3	1.28%	144,764,870	2	1.34%	144,778,320	3	1.19%	155,802,140	2	1.21%
Georgia Power Company	Utility Service	186,439,092	2	1.76%	172,530,027	2	1.60%	161,843,419	2	1.33%	152,322,369	3	1.18%
Georgia Pacific Company	Pulp and Paper Manufacturing	86,193,540	5	0.82%	89,008,740	5	0.82%	84,836,570	4	0.70%	81,202,870	3	0.63%
Corporate Property	Commercial Real Estate	71,593,660	6	0.68%	71,587,550	6	0.66%	-	-	-	-	-	
AT & T	Communication Service	121,454,226	4	1.15%	109,175,881	4	1.01%	76,992,635	5	0.63%	135,061,777	4	1.05%
CSC Associates	Commercial Real Estate	68,525,610	7	0.65%	68,517,510	7	0.63%	69,097,820	7	0.57%	79,010,070	6	0.61%
Atlanta Marriott	Commercial Real Estate/Hospitality	53,762,890	10	0.51%	53,849,850	10	0.50%	57,614,950	8	0.47%	-	-	-
Sprint	Communication Service	-	-	-	-	-	-	-	-	-	33,365,121	8	0.26%
MCI Telecom	Communication Service	-	-	-	-	-	-	34,529,574	9	0.28%	27,328,391	10	0.21%
Norfolk Southern	Commercial Real Estate/Hospitality	-	-	-	-	-	-	32,053,477	10	0.26%	29,011,609	9	0.22%
One Ninety One Peachtree Association	Commercial Real Estate	63,366,930	8	0.60%	63,162,240	8	0.58%	69,256,920	6	0.57%	76,178,120	7	0.59%
Peachtree Four Hundred Assoc.	Commercial Real Estate	54,146,680	9	0.51%	54,145,680	9	0.50%	-	-	-	-	-	
Total		\$ 1,101,731,474		10.43%	1,099,449,109		10.16%	1,000,918,740.00		8.21%	1,081,717,781.00		8.38%

Taxpayer	Type of Business	2000			2001			2002			2003		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Bell South	Communication Service	\$ 286,831,346	1	2.06%	281,517,922	1	1.79%	296,305,165	1	1.69%	311,493,227	1	1.69%
Coca-Cola Company	Marketing and Manufacturing	153,553,900	2	1.10%	148,094,220	2	0.94%	175,126,310	2	1.00%	162,670,820	2	0.88%
Georgia Power Company	Utility Service	141,211,989	4	1.01%	128,918,917	3	0.82%	125,185,211	3	0.72%	138,389,311	3	0.75%
Post Apartment Homes	Residential Real Estate	102,632,380	5	0.74%	107,210,390	4	0.68%	111,937,620	4	0.64%	116,171,210	4	0.63%
Georgia Pacific Company	Pulp and Paper Manufacturing	87,939,530	6	0.63%	84,593,910	7	0.54%	91,552,200	5	0.52%	90,792,750	5	0.49%
CSC Associates	Commercial Real Estate	79,021,340	7	0.57%	86,918,820	5	0.55%	87,329,610	6	0.50%	87,338,740	6	0.47%
SunTrust Plaza Association	Commercial Real Estate	-	-	-	-	-	-	76,491,240	7	0.44%	82,038,220	7	0.44%
Atlanta Center LTD.	Commercial Real Estate	-	-	-	-	-	-	63,761,840	10	0.36%	58,083,570	10	0.31%
AT & T	Communication Service	152,203,166	3	1.09%	86,760,614	6	0.55%	-	-	-	-	-	
One Ninety One Peachtree Association	Commercial Real Estate	76,173,610	8	0.55%	81,836,440	8	0.52%	73,646,450	8	0.42%	76,478,710	8	0.41%
Overseas Partners	Commercial Real Estate	66,264,020	9	0.48%	76,491,240	9	0.49%	-	-	-	-	-	
SunLife Realty, Inc.	Commercial Real Estate	63,874,810	10	0.46%	68,531,100	10	0.44%	68,164,600	9	0.39%	63,170,490	9	0.34%
Total		\$ 1,209,705,691		8.69%	1,150,873,573		7.32%	1,169,500,446		6.68%	1,186,627,048		6.41%

Taxpayer	Type of Business	2004			2005		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Bell South	Communication Service	\$ 155,936,542	1	0.79%	386,047,492	1	1.90%
Coca-Cola Company	Marketing and Manufacturing	154,860,290	2	0.79%	139,188,340	3	0.69%
Georgia Power Company	Utility Service	57,103,706	10	0.29%	154,932,948	2	0.76%
Post Apartment Homes	Residential Real Estate	120,304,178	3	0.61%	117,829,980	4	0.58%
Georgia Pacific Company	Pulp and Paper Manufacturing	97,673,647	4	0.50%	92,889,700	5	0.46%
CSC Associates	Commercial Real Estate	87,321,643	6	0.44%	86,232,080	6	0.42%
SunTrust Plaza Association	Commercial Real Estate	81,513,618	9	0.41%	77,663,640	10	0.38%
One Ninety One Peachtree Association	Commercial Real Estate	82,038,928	8	0.42%	82,014,220	7	0.40%
Peachtree TSG Associates LLC	Commercial Real Estate	93,540,108	5	0.48%	80,353,590	9	0.40%
Trizec Alliance Center LLC	Commercial Real Estate	83,957,286	7	0.43%	81,144,630	8	0.40%
Total		\$ 1,014,246,948		5.16%	1,298,316,630		6.39%

Schedule 9
City of Atlanta, Georgia
Property Tax Levies and Collections
Last Five Fiscal Periods
(amounts expressed in thousands)

Fiscal Period Ended	Taxes Levies for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount ⁽¹⁾	Percentage of Levy		Amount	Percentage of Levy
December 31, 2002	\$ 173,920,120	\$ 158,225,729	\$ 90.98%	\$ 14,941,453	\$ 173,167,182	\$ 99.57%
December 31, 2003	178,909,014	166,815,658	93.24%	11,182,950	177,998,608	99.49%
December 31, 2004	180,733,587	170,502,285	94.34%	9,209,517	179,711,802	99.43%
December 31, 2005	178,703,068	160,301,279	89.70%	3,836,636	164,137,915	91.85%
June 30, 2006 (2)						

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

(2) Information not available - See Footnote III B - Property Taxes

Schedule 10
City of Atlanta, Georgia
Taxable Sales by Category
Last Five Fiscal Periods
(in thousands of dollars)

Local Option Sales Tax (1)	Fiscal Period				
	2002	2003	2004	2005	2006
Food	-	-	-	-	-
Apparel	-	-	-	-	-
General	-	-	-	-	-
Automotive	-	-	-	-	-
Home	-	-	-	-	-
Lumber	-	-	-	-	-
Miscellaneous Services	-	-	-	-	-
Manufacturers	-	-	-	-	-
Utilities	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -
City direct sales tax rate	0%	0%	0%	0%	0%

Municipal Option Sales Tax (2)	Fiscal Period				
	2002	2003	2004	2005	2006
Food	-	-	-	20,259,221	25,697,814
Apparel	-	-	-	5,268,202	6,025,384
General	-	-	-	9,817,354	10,861,177
Automotive	-	-	-	2,951,697	3,770,532
Home	-	-	-	13,940,445	16,905,245
Lumber	-	-	-	6,870,413	7,524,387
Miscellaneous Services	-	-	-	13,772,985	17,366,373
Manufacturers	-	-	-	2,827,119	3,546,785
Utilities	-	-	-	9,725,057	11,096,706
Miscellaneous	-	-	-	11,969,607	14,887,237
Total	\$ -	\$ -	\$ -	\$ 97,402,099	\$ 117,681,639
City direct sales tax rate	N/A	N/A	N/A	1.00%	1.00%

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Note: (1)Data currently not available in required format
(2) Effective October 1, 2004, the City began collecting a 1% Municipal Option Sales Tax (MOST) for retail sales and use occurring within the incorporated city limits of Atlanta
Source: Georgia Department of Revenue;Local Government Division

Schedule 11
City of Atlanta, Georgia
Direct and Overlapping Sales Tax Rates
Last Five Fiscal Periods

<u>Fiscal Year</u>	<u>City Direct Rate</u>	<u>Fulton County</u>
2002	0.00%	7.00%
2003	0.00%	7.00%
2004	0.00%	7.00%
2005	1.00%	7.00%
2006	1.00%	7.00%

Source: Commodity Report, Georgia Department of Revenue

Schedule 12
 City of Atlanta, Georgia
 Principal Sales Tax Remitters
 Last Five Fiscal Periods

Tax Remitters	2002				2003				2004			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Food	-	-	-	-	-	-	-	-	-	-	-	-
Apparel	-	-	-	-	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-	-	-	-	-
Automotive	-	-	-	-	-	-	-	-	-	-	-	-
Home	-	-	-	-	-	-	-	-	-	-	-	-
Lumber	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous Services	-	-	-	-	-	-	-	-	-	-	-	-
Manufacturers	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-	-	-	-
Total	\$ -	0%	0	0%	\$ -	0%	0	0%	\$ -	0%	0	0%

Tax Remitters	2005				2006			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Food	-	-	-	-	-	-	-	-
Apparel	-	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-	-
Automotive	-	-	-	-	-	-	-	-
Home	-	-	-	-	-	-	-	-
Lumber	-	-	-	-	-	-	-	-
Miscellaneous Services	-	-	-	-	-	-	-	-
Manufacturers	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total	\$ -	0%	0	0%	\$ -	0%	0	0%

Source:

Note: Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the city's revenue.

**DATA NOT AVAILABLE IN REQUIRED FORMAT

Schedule 13
City of Atlanta, Georgia
Ratio of Outstanding Debt by Type
Last Five Fiscal Periods
(amounts expressed in thousands, except per capita)

Fiscal Period Ended	Governmental Activities										Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)
	Governmental Activities					Certificates of Participation							
	General Obligation Debt*	SWMA Revenue Refunding Bonds	Limited Obligation Bonds*	Section 108 Loans	Capital Leases	1990 GMA Lease Pool	1998 GMA Lease Pool	2002 Certificates of Participation	Citywide Radio System	Installment Sale Program			
December 31, 2002	\$ 238,510	\$ 25,710	\$ 91,500	\$ 14,660	\$ -	\$ 597	\$ 18,476	\$ 53,785	\$ 5,065	\$ 87,610			
December 31, 2003	239,350	24,855	91,500	12,965	-	-	15,827	52,560	-	83,280			
December 31, 2004	290,365	23,965	90,935	11,250	-	3,053	32,444	51,280	-	78,780			
December 31, 2005	283,965	23,035	318,740	9,515	5,835	10,054	32,444	49,950	-	74,080			
June 30, 2006	283,865	23,035	406,255	9,515	5,835	11,800	32,444	49,950	-	74,080			

Fiscal Period Ended	Business-Type Activities										Total Primary Government	Percentage of Personal Income (a)	Per Capita (a)		
	Department of Aviation			Water & Wastewater System Fund				Sanitation Fund Capital Lease Obligation	Underground Atlanta Revenue Bonds	Total Primary Government				Percentage of Personal Income (a)	Per Capita (a)
	Facilities Revenue Bonds*	Bond Anticipation Notes	Issuance Discounts and Refunding Losses	System Revenue Bonds	Premium on Bonds	Issuance Discounts and Refunding Losses	GEFA Notes Payable								
December 31, 2002	\$ 1,682,273	\$ -	\$ -	\$ 1,673,966	\$ -	\$ -	\$ -	\$ 25,579	\$ 5,075	\$ 71,625	\$ 3,994,431	28.05%	9,331		
December 31, 2003	1,442,584	395,000	(119,576)	1,718,110	-	(41,544)	-	23,844	-	68,190	4,011,355	27.52%	9,266		
December 31, 2004	2,927,307	-	1,521	2,558,000	39,867	-	-	22,299	3,217	65,330	6,199,613	38.13%	14,255		
December 31, 2005	2,805,127	-	652	2,542,765	38,881	-	23,373	20,520	2,205	61,280	6,202,331	38.59%	14,029		
June 30, 2006	2,984,043	-	(19)	2,542,765	38,388	-	23,106	19,614	1,134	61,280	6,567,090	(b)	14,542		

(* Net of any discount or premium)

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

(a) See Exhibit D-1 for personal income and population data.

(b) Personal income information - not available for this period

Schedule 14
City of Atlanta, Georgia
Ratio of General Bonded Debt Outstanding
Last Five Fiscal Periods
(amounts expressed in thousands, except per capita)

Fiscal Period Ended	General Obligation Debt *	SWMA Revenue Refunding Bonds	Limited Obligation Bonds*	Section 108 Loans	Capital Leases	Total	Percentage of Actual Taxable Value of Property	Per Capita
December 31, 2002	\$ 238,510	\$ 25,710	\$ 91,500	14,660	-	\$ 535,913	3.43%	\$ 1,252
December 31, 2003	239,360	24,855	91,500	12,965	-	520,347	3.09%	1,202
December 31, 2004	290,365	23,965	90,935	11,250	-	582,072	3.57%	1,338
December 31, 2005	283,865	23,035	218,740	9,515	5,835	707,518	3.82%	1,600
June 30, 2006	283,865	23,035	406,235	9,515	5,835	895,013	(a)	1,982

* Net of any discount or premium.

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

(a) Information not available - See Footnote III B - Property Taxes

Schedule 15
City of Atlanta, Georgia
Direct and Overlapping Governmental Activities Debt
Last Five Fiscal Periods
(amounts expressed in thousands)

Governmental Unit	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable (a)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
2002	\$ 492,075	\$ 55.70%	\$ 274,093
2003	474,841	55.19%	262,048
2004	606,651	58.31%	353,731
2005	720,722	65.77%	473,999
2006 (b)			

Sources: Assessed value data used to estimate applicable percentage provided by Fulton County Tax Assessor. Debt outstanding data provided by each governmental unit.

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

(a) For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value. This approach was also used by the City's capital leases and other debt. The applicable

(b) Information not available - See Footnote III B - Property Taxes

Schedule 16
City of Atlanta, Georgia
Legal Debt Margin Information
Last Five Fiscal Periods
(amounts expressed in thousands)

	<u>2002</u>		<u>2003</u>		<u>2004</u>		<u>2005</u>		<u>2006</u>
Debt limit	\$ 2,073,582,315	\$	2,198,052,425	\$	2,278,113,865	\$	2,349,127,724		2,657,777,842
Total net debt applicable to limit	<u>238,510,000</u>		<u>239,360,000</u>		<u>290,365,000</u>		<u>239,360,000</u>		<u>302,654,250</u>
Legal debt margin	\$ <u>1,835,072,315</u>	\$	<u>1,958,692,425</u>	\$	<u>1,987,748,865</u>	\$	<u>2,109,767,724</u>	\$	<u>2,355,123,592</u>

SCHEDULE 17A
City of Atlanta, Georgia
Department of Aviation
Schedule of Revenue Bond Coverage
Last Ten Fiscal Periods

Period	Operating Revenue ¹	Current Operating Expenses ²	Net Revenue available for Debt Service	Debt Service Requirements			
				Principal	Interest ³	Total	% Coverage
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
2006	145,147,000	53,925,574	91,221,426	18,743,260	31,570,415	50,313,675	1.81

- (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.

Schedule 17B
City of Atlanta, Georgia
Department of Watershed Management
Schedule of Revenue Bond Coverage
Last Ten Fiscal Periods

Period	Operating Revenue ¹	Current Operating Expenses ²	Net Revenue available for Debt Service	Debt Service Requirements			Coverage Ratio
				Principal (3)	Interest	Total	
1997	162,854	110,219	52,635	16,523	-	16,523	3.19
1998	182,183	111,798	70,385	26,733	-	26,733	2.63
1999	182,946	117,784	65,162	39,359	-	39,359	1.66
2000	208,463	125,968	82,495	36,692	-	36,692	2.25
2001	185,957	121,102	64,855	34,050	-	34,050	1.90
2002	240,954	131,708	109,246	32,692	-	32,692	3.34
2003	227,441	116,971	110,470	63,335	-	63,335	1.74
2004	267,329	124,804	142,525	86,278	-	86,278	1.65
2005	283,526	155,525	128,001	91,426	-	91,426	1.40
June 30, 2006	130,809	96,345	34,464	24,210	-	24,210	1.42

- (1) Total operation revenue plus investment income
(2) Total operating expenses exclusive of the payment in lieu of taxes and franchise fee and depreciation and amortization.
(3) Annual debt service includes sinking fund requirements of the Water and Sewerage Revenue Fund, this excluding capitalized interest

**Schedule 18
City of Atlanta, Georgia
Demographic and Economic Statistics
Last Five Fiscal Periods**

Fiscal Period Ended	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal income	Median Age (2)	Education Level in Years of Schooling (4)	School Enrollment	Unemployment Rate
December 31, 2002	428,100	\$ 14,242,887	\$ 33,270	31.9	-	56,946	8.6%
December 31, 2003	432,900	14,419,033	33,308	31.9	-	52,103	7.9%
December 31, 2004 (3)	434,900	16,258,737	37,385	31.9	-	50,188	7.5%
December 31, 2005	442,100	16,070,777	36,351	31.9	-	50,770	6.6%
June 30, 2006 (4)	451,600	* (4)	* (4)	* (4)	* (4)	* (4)	* (4)

Sources:

(1) Atlanta Regional Commission as of April 2004

(2) Estimate of Median Age- Per Census taken every 10 years.

(3) At end of year in June; 2004 reflects enrollment as of 3/30/05.

(4) Information not available

Schedule 19
 City of Atlanta, Georgia
 Principal Employers
 Last Five Fiscal Periods

Employer	Type of Business	2002			2003			2004		
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Total		<u>0</u>		<u>0.00%</u>	<u>0</u>		<u>0.00%</u>	<u>0</u>		<u>0.00%</u>
		2005			2006					
		Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment			
Total										

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Note : Information not available

Schedule 20
City of Atlanta, Georgia
Full-time Equivalent City Government Employees by Function/Program
Last Five Fiscal Periods

	Fiscal Period				
	2002	2003	2004	2005	2006
General Government					
Mayors Office	2	4	4	4	4
City Council	48	48	48	49	49
Finance	183	200	187	200	239
Planning	346	303	310	322	354
Procurement	0	39	49	50	56
Human Resources	59	50	49	53	73
Police					
Officers	1,481	1,478	1,558	1,585	1,647
Civilian	443	441	466	473	483
Fire					
Officers	914	899	949	976	1,005
Civilian	61	61	63	65	67
Corrections	507	321	454	551	615
Public works					
Streets	624	438	354	358	358
Refuse collection	508	426	418	418	418
Parks, recreation and cultural affairs	90	84	85	46	59
Water/Wastewater	655	591	1,064	1,133	1,351
Total full-time equivalent employees	<u>5,921</u>	<u>5,383</u>	<u>6,058</u>	<u>6,283</u>	<u>6,778</u>

Sources: Office of Budget and Fiscal Policy

Schedule 21
City of Atlanta, Georgia
Operating Indicators by Function/Program
Last Five Fiscal Periods

Function/Program	Fiscal Period				
	2002	2003	2004	2005	2006
Police					
Arrests	49,450	46,722	41,107	38,609	39,954
Parking violations	67,883	38,808	54,730	39,619	37,339
Traffic violations	156,182	133,730	136,043	115,573	102,878
Fire					
Emergency responses	51,017	48,303	49,450	58,334	41,886
Fires extinguished	2,999	2,546	2,464	2,247	1,620
Inspections	12,324	12,867	11,961	9,996	9,317
Refuse collection					
Refuse collected (tons per day)	169,000	168,363	153,630	-	11,428
Other public works					
Miles of streets resurfaced	41	49	43	81	64
Potholes repaired	N/A	6,422	6,251	3,710	1,158
Parks and recreation					
Athletic field permits issued	90	84	85	46	59
Community center admissions	57,000	57,000	57,500	58,000	59,000
Water					
New connections	N/A	N/A	N/A	25,989	27,288
Water main breaks	N/A	N/A	204	224	154
Average daily consumption (thousands of gallons)	107,600,000	106,400,000	107,900,000	106,600,000	107,600,000
Peak daily consumption (thousands of gallons)	138,100,000	142,500,000	141,000,000	132,700,000	138,100,000
Wastewater					
Average daily sewage treatment (thousands of gallons)	132,200,000	145,300,000	135,700,000	144,500,000	132,200,000
Aviation					
Number of passengers served	75,858,500	79,086,792	83,606,583	86,583,210	42,546,000

Sources: Various city departments

Schedule 22
City of Atlanta, Georgia
Capital Asset Statistics by Function/Program
Last Five Fiscal Periods

Function/Program	Fiscal Period				
	2002	2003	2004	2005	2006
Police					
Stations	1	1	1	1	1
Zone offices	6	6	6	6	6
Patrol units	387	416	355	355	355
Fire stations	34	34	34	35	35
Refuse collection					
Collection trucks					
Parks and recreation					
Acreage	2,850	2,835	3,354	3,533	3,533
Playgrounds	111	110	105	101	101
Baseball/softball diamonds	81	81	81	82	82
Soccer/football fields	5	5	5	5	5
Community centers	38	33	49	49	49
Water					
Water mains (miles)	2,414	2,414	2,424	2,424	2,424
Storage capacity					
Wastewater					
Sanitary sewers (miles)	2,000	2,000	2,000	2,000	2,000
Storm sewers (miles)					
Treatment capacity (thousands of gallons)	131.8 MGD	156.1 MGD	135 MGD	154MGD	170MGD
Aviation					
Number of Runways	4	4	4	4	5
Number of Feet for 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				
10-28	9,000 feet or 2,743 meters				

Sources: Various city departments

CITY OF ATLANTA, GEORGIA

OPERATING DATA OF THE DEPARTMENT OF WATERSHED MANAGEMENT SIX MONTHS ENDED JUNE 30, 2006 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:	44 MGD
South River:	54 MGD
Total	220 MGD

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

<u>Dwelling</u> <u>Code</u>	<u># meters</u>
AHA	237
COMM	13,643
CTYBOE	184
CTYGOV	254
FEDGOV	11
FULBOE	22
FULTON	159
INDUST	236
PUBLIC	356
RESID	144,968
STATE	35
WHOLE	47
TOTAL	160,152

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

3-Tierred 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: *City of Atlanta, Department of Watershed Management, Customer Relations*